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New Monetary Unit for Germany Urged By U. S.

By HERBERT M. BRATTER

Special Correspondent of the "Chronicle"

British oppose American suggestions as involving too drastic state regimentation. Russians jibe at American plan, while French claim there is no great danger of 1923-type for drastic inflation.

Herbert M. Bratter

BERLIN, GERMANY, Sept. 25 (*By Wireless*)—Quadri-partite committees are holding frequent meetings in a major effort to arrive at an agreement for "monetary purification," but progress is extremely slow despite Anglo-

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Section Two Omitted

As the trucking strike has not yet been completely settled, we are obliged to again curtail the size of today's issue in order to conserve the small supply of paper still on hand. Accordingly, we are omitting Section Two and restricting our coverage of "Prospective Security Offerings" to only those items not reported in previous issues.—Editor.

Wallace and the Pseudo-Liberal Delusions About Russia

By EUGENE LYONS

Former Editor, American Mercury; UP Correspondent in Russia.

Publicist states recent Cabinet crisis is highly important because Wallace typifies influential part of American public which is emotionally, desperately, and sincerely attached to Soviet. In a mental panic they reject realistic disillusionment of their fantasies about Russian "democracy" and other "idealism." Wallace's book on Soviet, in praising Siberian slavery in lieu of American liberty, termed magnificent fiction. Pleads for realism in de-bunking pseudo-Liberals, or we lose the Two-World duel by default.

That nine-days wonder, the Cabinet crisis touched off by the Henry A. Wallace speech on foreign policy, deserves the extravagant attention it is getting. Wallace personally may be a secondary figure on the world stage. His views may be palpably confused, resting on clouds of emotion far removed from the solid ground of fact and logic. But the episode has significance beyond his own personality. In a sense it is symbolic of the great debate, and the great searching of conscience, under way in this country on the subject of Russia.

Eugene Lyons

Wallace happens to be typical of a part of the American public—a relatively small part but tremendously influential—which has tied its hopes for a better world to the Soviet Union. That attachment is so intense, so sincere, so desperate, that it resists mere

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Inflation With Jerks

By MELCHIOR PALYI

Calling attention to seeming paradoxical situation of a stock market decline occurring in an inflationary period, Dr. Palyi ascribes movement to (1) wage-price muddle; (2) incumbent credit expansion; (3) uncertainty of avoiding monetization of national debt; and (4) the difficult Russian problem. Says inflation and labor troubles go together and contends cheap money policy is collapsing. Sees bearish factors in threat of credit controls, in fear of war with Russia, and in a weak capital market that impedes capital flow into productive enterprises. Looks for a new kind of trade cycle within an inflation periods that will disturb equity valuations.

The "deroute" of the security markets should be puzzling in view of such facts as virtual full employment, all-round shortages and rising commodity prices, mounting unfilled orders and current sales far ahead of inventories, the greatest freight car tie-up in the nation's history in the offing—briefly, in front of the clock striking the "Boom" hour, and a long one at that.

Dr. Melchior Palyi

It could not be the coming "depression" that even Secretary Wallace has postponed for a year or two, when the monetary volume is four to five times larger than in 1929, when the pent-up demand for durables cannot be satisfied for years to come, exports are running (in spite of cumbersome controls) at a peacetime high of almost $10 billion

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As We See It

EDITORIAL

Current discussions anent wages and cost of living relationship fail to bring home cardinal truth that higher wages, unless accompanied by materially larger output of goods and services, must of necessity be largely nullified by corresponding increase in living costs. Productivity now at low point owing to "feather bedding" practices and general disposition of workers to strike at slightest provocation. Management no longer able, through technological improvements, to offset rising production costs resulting from declining work week and higher basic labor wages. Whatever causes of labor's present "psychological fever," fact is that not even tenth part of postwar dreams will be realized unless nation gets back to work without delay.

Debate continues and is likely to continue for a good while to come about wages and the cost of living. Arguments pro and con persist concerning the part wage increases of the past year have played in the greater cost of virtually everything one must have to maintain a normal existence. The old notion of fixing wages on some sort of sliding scale to take account of rising retail prices is

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Pictures taken at the NSTA Convention at Seattle, also of newly elected officers, appear on pages 1541, 1542 and 1543

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For detailed index of contents see page 1531.

ICC's Failure to Raise Rates an Important Cause of Market Decline

By ELISHA M. FRIEDMAN, Consulting Economist

Mr. Friedman holds market decline has been more drastic in rails than industrials because of Commission's delay in raising rates to cover increased wages. Urges wages and rates be fixed simultaneously. Contends prompt granting of adequate rate rise would restore "normal" earnings and securities prices, as well as stimulate general economy through capital expenditures and high employment.

I

The Behavior of Railroad Securities

Why did the stock market break? Earnings were threatened by labor disturbances, strikes, and wage increases not covered by selling prices. Market price is capitalized earnings. The failure of the ICC to grant an increase of freight rates to pay for the increase in wages caused the market decline in railroad securities. *Prompt granting of an adequate rate increase would restore normal earnings and market prices.*

Elisha M. Friedman

The judgment of the market place is significant. The railroad wage increase was granted on May 22, without any offsetting rate increase. *The Dow-Jones industrial stock average reached a new high level on May 29, but the railroad stock average did not, because of the uncertain outlook for earnings.* The market became pessimistic on the rails. Again, on July 23, the railroad and equipment stocks declined to a new low for the year, though the general market did not. If government officials are studying the causes of the market decline, let them examine the effect of the ICC's delaying of rate increases. *Any measure to create deficits in an industry must cause liquidation of stocks and declining market prices.*

The decline in the rails has been more drastic than in the industrials. On Sept. 20, on the Dow-Jones index, the rail stocks yielded

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Wanted: More Collaboration With SEC!

By ROBERT K. McCONNAUGHEY*

Member, Securities and Exchange Commission

Maintaining securities dealers cannot through flights, real or imagined, escape Securities and Exchange Commission, which has outposts in every city, Commissioner McConnaughey urges dealers to cooperate and collaborate with agency. Says in past widely accepted view SEC and the industry have antagonistic viewpoints is on wane, and both will benefit by having one objective. Holds Commission can stamp out more effectively evils and abuses "if we collaborate in working out and applying jointly remedies for bad practices." Defends proposal to bring unregistered securities under control, and cautions "registration" does not mean approval by Commission.

During the past week this annual peregrination of the National Security Traders Association has impressed me as in many respects a rather remarkable phenomenon. It's sort of interesting to speculate about the reasons why it occurs. Beyond the enjoyment that people with common interests derive from association in new and delightful surroundings, there might be many reasons.

R. K. McConnaughey
(c) *By Harris & Ewing*

As we came down the Coast from the Pacific Northwest we have all heard how each year the salmon, following some unerring natural impulse, return in great migrations to the headwaters of their native streams. There they make appropriate arrangements for more salmon to continue where their careers leave off. But it does not appear to be a primary purpose of this migration to produce new little security traders.

Up in the Flathead Valley a couple of weeks ago I saw a flight of geese winging its way south over Nine Pipes Reservoir. Each year they're presuaded by some subtle intuition that it's time to move for awhile to some warmer and more hospitable place. The hospitality that the Northwest and the Coast have shown their visitors suggests that that may be a persuasive reason why each year this group takes wing from its various home cities on a long migration like this. But many come from climates that claim, whether with reason or not, to be at least as equable—and generous hospitality is characteristic of our people everywhere. So that can't be the whole story.

Of course, throughout all history men have been making pilgrimages. Frequently they have been to pay reverence at more sacred shrines, or crusaded to accomplish the return of some revered object to more sympathetic hands. But no crusading spirit has been evident, and the shrine of most of the pilgrims appears to lie in the other direction. Many indeed have been the backward glances to learn how things were going back home.

Again, there have been many great flights from persecution, real or imagined. But here the SEC has dogged your every footstep—and besides has outposts in

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*An address by Commissioner McConnaughey before a section of the National Security Traders Association, San Francisco, Cal., Sept. 23, 1946.

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Stock Break Justified by Economic Background

By LUCIEN O. HOOPER*
Market Analyst, W. E. Hutton & Co.

Mr. Hooper terms this a real bear market, caused by following: (1) cessation of fiat money creation and curtailment of credit; (2) outstripping of personal incomes by prices; (3) obstruction to corporate expansion plans by difficulty of securing equity capital; (4) public's disillusionment over absurdities of previous one-way bull market; (5) change in sentiment over international outlook. Expects sharp market rally, followed by renewed decline to possible low of 150 in Dow-Jones Industrial Index.

Whenever an analyst gets too sure of himself, his clients should be suspicious of his judgment. In an economy as complex as ours it is impossible to know all the facts or to absorb the entire background. No analyst, however, should hide behind this alibi. Even if I knew all the facts, probably more than once in a while, I would botch up the job of translating them in advance into stock prices.

L. O. Hooper

It is my opinion that the recent decline in stocks, which after all, has wiped out only the price consequences of the stampede of buying which occurred between V-J Day and the end of May, has been entirely justified by the economic background.

I believe that stocks have been too high. Some of them now may be reasonably priced, but past experience teaches that stocks always go too low in bear markets—just as they go too high in bull markets.

According to my interpretation of the Dow Theory, we have been

*An address by Mr. Hooper before the Babson Annual Business Conference, Babson Park, Mass., Sept. 19, 1946.

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Thoughts on Retail Outlook

By C. FORREST WALKER*
Economist, R. H. Macy & Co., Inc.

Merchandising economist calls attention to uninterrupted expansion of retail trade in recent years, and poses question whether it will continue. Recounts experiences in previous postwar periods, and warns that it may be a good policy to prepare for lean years. Says first phase of postwar readjustment is ended, and although there are differences between Postwar World War I and Postwar World War II, the time has come for the merchant to put his house in order and to correct wasteful expense and to reconsider expansion plans.

Q. Forrest Walker

We have completed nearly eight years of expanding retail trade. In 1938 retail drug sales were estimated at $1,474,000,000; in 1945, at $2,964,000,000; and in 1946, they may total as much as $3,500,000,000. Between 1938 and 1945, retail drug sales doubled; and in the same period, sales of toilet articles and drug sundries in department stores probably increased about 35%. The figures lead one to suspect that a good part of the gain in drug store sales has come from general merchandise lines rather than strictly drug store merchandise. In the war period, the sales

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*An address by Mr. Walker before the annual meeting of the Federal Wholesale Druggists Association, Atlantic City, Sept. 17, 1946.

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Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.)

From Washington Ahead of the News

By CARLISLE BARGERON

Correspondent reports Chairman Hannegan confident that Democrats will be victorious in November Congressional and Senate elections on theory that people in cities and industrial centers, wherein party is strongest, will continue to vote blindly as heretofore. Cites purge of Representative Slaughter in Missouri as indicative of how voters follow dictates of political leaders. Contends principal motive of leftwing agitation for extension of franchise is to use additional "uneducated masses" as pawns. Sees Labor Department endeavoring to obtain confidence of industry.

The attitude of Bob Hannegan in the Henry Wallace crisis is highly interesting as to what may be a truly serious situation in this country. You would think that he would be throwing up his hands in anguish. Surely there has been enough incompetency in high Washington circles in recent months to bring about a complete overturn in November.

Carlisle Bargeron

Yet Hannegan is not the slightest bit disturbed. He hasn't the slightest doubt that his party will remain in control of both the House and Senate. We aren't impressed by what he publicly says. Naturally he would exude optimism. But you have only to study the man to realize that he is absolutely sincere.

Hannegan doesn't think that issues in November, the almost complete breakdown in the handling of our foreign affairs, the graft and waste during the war, will amount to a tinker's dam. Organization of the voters is all that is necessary, he believes, and he is convinced that the Democrats have the cities and industrial communities of the country so airtightly organized that the Republicans have no opportunity of making any serious inroads. It is a fact, of course, that the Republicans have pumped the areas of their natural strength pretty dry, that they already have the congressmen from these areas. To appreciably increase their strength they must break into the cities and industrial centers. Bob figures they won't do this, because regardless of what has happened, these people do not think and all that is necessary is to herd them to the polls, theirs not to question why, theirs but to vote and die.

This is certainly what such American enterprisers as Frank Hague, Ed Kelly and Boss Crump have been doing for years. And Hannegan is further justified in his own estimation of the voters by what took place in the recent Congressional primary out in Kansas City. The Pendergast machine was not sold on Truman's

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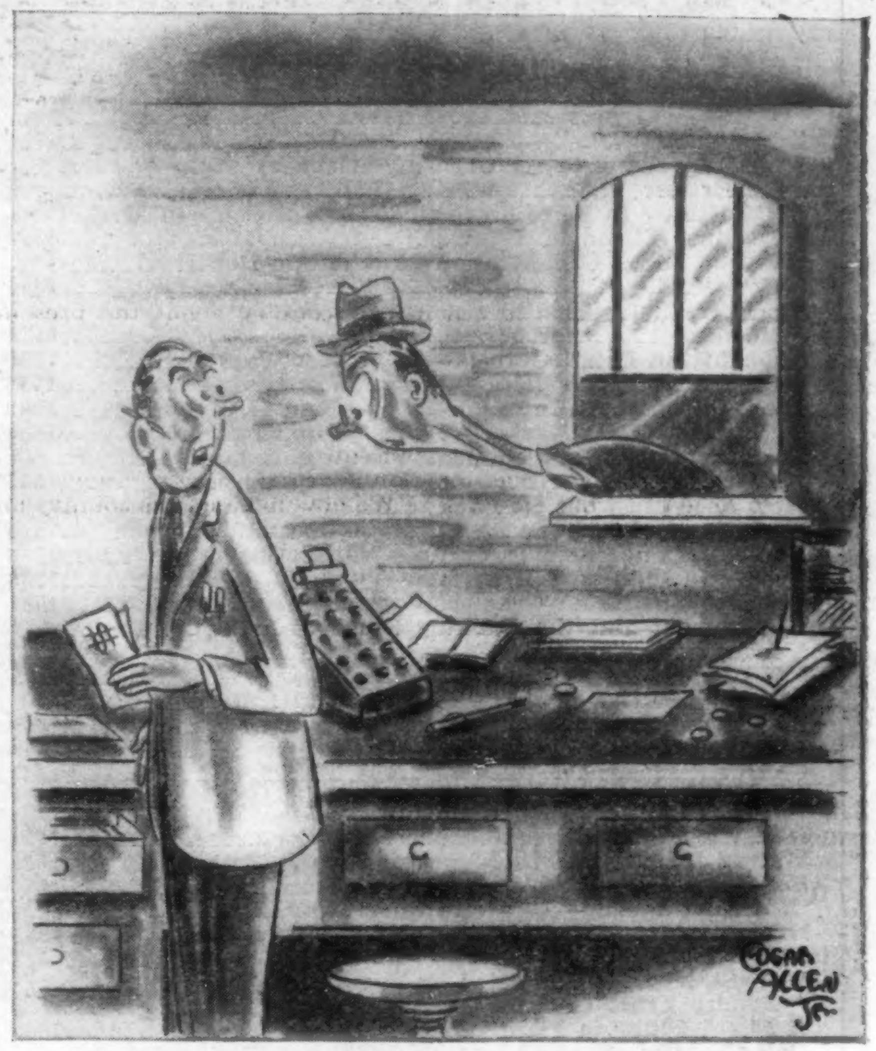
BUSINESS BUZZ



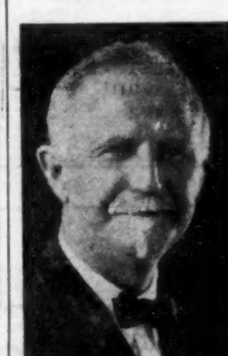
"I Know It's Your First Deposit, Mr. Melton, But I Assure You Nothing Will Go Amiss!"

Comparative Stock Prices

By ROGER W. BABSON

Mr. Babson urges caution in picking stocks, and points out many individual issues which are, percentagewise, below average of market. Lays down principles for selection and makes comparisons. Concludes market is favorable for wise selections.

The stock market will continue to have ups and downs; but now caution must be exercised in picking stocks. The recent slumps depressed many good issues well below the Dow-Jones Averages. In this sort of market, therefore, readers can find individual issues still percentagewise below the average of the market. Some of these should advance well above said averages.



Roger W. Babson

In order to make money one should look for such individual issues which are capable of making the grade. First of all, we must select stocks in industries which show promise. Next, we must ascertain which companies are suited financially, as well as mechanically, to do the best job in their fields. We must be certain that the stock which we choose has sales appeal. A good yield, if the financing is simple, usually makes for sales appeal. A company which requires few employees in relation to its volume of production should be especially attractive, since labor strife will have less chance to retard its progress. All the above factors should aid readers in selecting good individual issues.

Market Averages

If we compare certain stocks pricewise and percentagewise with the Dow-Jones Averages in 1932, in 1937, the war years and now, we have some insight as to what action to expect from their future performances. As I explained last week, the Industrials sold at the depression low of 41, the Rails at 13, and the Utilities at 16. They rose to peaks in 1937 with a sharp decline and a lesser recovery in 1938. The market then remained stagnant with a down-hill trend until Pearl Harbor Day, Dec. 7, 1941.

Since 1942 the market has been rising with intermediate declines.

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What to Do About Inflation Trend

By PAUL H. NYSTROM*

Professor of Marketing, Columbia University

Chairman, Central Council of National Retail Associations

Asserting danger of inflation is here, Dr. Nystrom lays cause to both goods shortage and administration policies. Attacks minimum wage legislation as hoisting unduly entire wage structure and proposes an anti-inflationary program of (1) adequate production and lower costs; (2) a balanced Federal budget; (3) abandonment of government price fixing; (4) buyers' strikes; (5) curtailment of wage increases; (6) avoidance of high raw materials prices; and (7) positive opposition to government regulations that force higher consumer prices. Holds business gains nothing by appeasement.

There is widespread concern in this country about the present trend towards inflation. The concern is well justified. Prices have already gone up so far that the dollar of today is worth little more than 50c of what it was worth in 1940. The inflationary forces at work are continuing to cut down the value of everything that bears the dollar sign, whether that be a war bond, interest on a promissory note, insurance, pensions, annuities, or any other form of fixed income. I am not forecasting danger. Forecasts have to do with the future. This danger of inflation is present here and now.

Paul H. Nystrom

We now have in this country all of the raw materials which, if not carefully and sanely handled, can produce economic catastrophe. We have, on the one hand, a great surplus of purchasing power and, on the other, a sharp deficit not only in the goods that people want to buy, but also in the rates of production at which such goods are coming onto the market.

Purchasing power is at an all-time high. The amount of money in circulation is twice what it was in 1940. Demand deposits in banks are two-and-a-half times what they then were. Time deposits are nearly twice as great as they were. The total national income

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*An address by Dr. Nystrom before the Federal Wholesale Druggists Association, Atlantic City, Sept. 17, 1946.

We Are in a Bear Market!

By JAMES R. BANCROFT*

President, American Institute of Finance

Investment counsellor, holding dominating cause of current bear market is serious maladjustment between individual incomes and costs, says rapid advance in price levels is killing markets. Points out under these conditions relatively small declines in business volume will eliminate or greatly reduce profits. Holds both shortages and high consumer demands are exaggerated and rising prices will develop consumer resistance, leading to readjustment. Sees deflation, rather than inflation, ahead, and decries production wastefulness inherited from war. Concludes current business and economic situation is both distorted and vulnerable.

To lose 40% of a four-year stock market advance in three months is no simple incident, however looked at—nothing to be easily explained away. To pretend otherwise is simply either to delude one's self or attempt to delude others.

James R. Bancroft

The records of the American Institute of Finance show that, with rare exceptions, a stock market advance of two years or more duration has never lost 40% of that rise without ushering in a bear market. At least I don't want to operate on rare exceptions.

Many signs have pointed for some time to some such development—a four year rise, with widespread public participation—

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*An address by Mr. Bancroft before the Annual Business Conference at Babson's, September 19, 1946.

Observations . . . .

By A. WILFRED MAY

A World Trade Charter

That this country is still pushing to the maximum the war for eliminating the barriers against international trade, is newly evidenced by the State Department's charter for world trade. This document goes the whole-hog in frankly admitting that we must clean our own house of export subsidies and preferential tariff arrangements in order to meet other countries in forsaking their discriminatory techniques.

A word of orientation about this Plan: It is a draft charter, based on this country's *Proposals for Expansion of World Trade and Employment*, which was issued to the Economic and Social Council last December. It has been under preparation for many months by a technical staff drawn from several government agencies aided by unofficial consultation with other countries. The former *Proposals*, which advanced the basic idea that there should be established an International Trade Organization of the United Nations, contained detailed suggestions for rules to govern trade barriers, restrictive business practices, intergovernmental commodity arrangements and domestic employment policies. This International Trade Organization will be the last unit in the Economic and Social Council's affiliated organizations—a companion to the International Labor Organization; the International Monetary Fund and Bank, Food and Agriculture, International Civil Aviation, World Health and Refugee organizations; and UNESCO. Its overall purpose will be to *liberalize international trade;* its more specific aims: to deal with commercial trade details, cartel policy and commodity arrangements.

A. Wilfred May

The fundamental difference between this draft Charter and the suggestions of last January, is that England and several other countries committed themselves to the earlier U. S. proposals; while the new document is a unilateral proposition—not even representing overall intra-U. S. Government opinion. For example, in the case of the anti-dumping proposals, other countries agreed thereto in advance, but have not even seen their spelling-out in the current document. And throughout, the new Charter represents very important amplifications and clarifications.

This Charter is issued in anticipation of the meeting of the Preparatory Commission of the Economic and Social Council, which takes place in London Oct. 15, next, and which will seek enough of a framework of agreement on reduction of restrictive trade measures to make worthwhile a definitive meeting in the new year. This latter meeting, to be known as the World Trade Conference, will occur in the Spring of 1947; immediately after which—in fact, continuing therefrom—there will be still another conference, participated in by a body known as the *Negotiating Group*. This will be a "bed-rock" group sitting together around the table, concetely negotiating reciprocal trade and commodity agreements. The world's most important trading nations were invited to membership on these Preparatory and Negotiating Commissions; and all, excepting the Soviet Union, have accepted (for a hint as to the background of the Soviet obtuseness, see Eugene Lyons' article on the front cover of this issue of the "Chronicle"). The list of these 19 members (the

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Henry B. Leighton With Eastman, Dillon & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Henry B. Leighton has become associated with Eastman, Dillon & Co., 135 South La Salle Street. Mr. Leighton has been serving in the U. S. Army. Prior thereto he was with F. S. Moseley & Co., Harris, Upham & Co., and the Chase National Bank.

Stifel, Nicolaus Add

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Thomas E. Felker and Edward H. Julius are now with Stifel, Nicolaus & Co., Inc., 105 West Adams Street. Both have been in the U. S. Army.

Public Utility Securities

Holding Company Plans May Have to Be Revamped

The recent precipitate decline in the stock market lengthened the two utility yardsticks, the average yield and average price-earnings ratio for seasoned utility operating company stocks. A number of utility holding company integration plans had been adjusted to shortened yardsticks in the past year, and now may have to be "cut back." Due to the leverage factor an increase in the yardsticks of one-fifth may mean a shrinkage of half or more in the equity for holding company common stocks. Hence equities like American Water Works, American Power & Light, Electric Power, Middle West and Niagara Hudson have dropped about one-half in value, although operating stocks such as Commonwealth Edison and Pacific Gas declined only about 15-25%.

Two large holding companies—National Power & Light and Columbia Gas — substantially completed their plans before the worst of the break. American Gas & Electric is integrated excepted for sale of one property, and General Public Utilities' program is about 80% completed. National has distributed its important holdings to common stockholders, leaving only a few odds and ends. The "stub" stock (somewhat of a mystery and perhaps popular because of its low price) advanced sharply during the declining market—from 1¼ to 2½, later selling off to 2 (conservative utility statisticians still seem to think it over-valued).

Columbia Gas barely "got in under the wire" with its huge bond issue and sale of Cincinnati Gas & Electric common stock. The stock syndicate may sustain a moderate loss, since the stock broke from the offering price of 26 to 21¾ after some half or more of the issue had been reported placed—however, at this writing the price has rebounded to 23½. The sale of these two issues enables Columbia to complete its refunding program, and should promote the common stock to the small group of "integrated" and regular dividend-paying holding company issues. As a result, Columbia has had a somewhat smaller decline than most holding company issues, being currently around 9½ compared with a high of 14. It is thought that the dividend rate may now improve substantially over the small distributions made in the past.

Niagara Hudson Power had been ordered by the SEC to dispose of about half its system, the western portion formerly controlled by the sub-holding company, Buffalo Niagara & Eastern, and now consolidated into a large operating company, Buffalo Niagara Electric. This was supposed to be done by Nov. 1, but Niagara recently asked for a year's extension of time. It also filed with the Public Service Commission at Albany (which has a dual regulatory role with the SEC) a new plan to merge Central New York Power and New York P. & L. with Buffalo Niagara Electric. The parent company's bank loan, incurred in connection with the recapitalization of B. N. E., has been reduced from $40,000,000 to $35,000,000 and may be cut by another $5,000,000 before the end of the year.

Electric Bond & Share and its sub-holding companies, American Power & Light and Electric Power & Light, all have integration programs well under way, but completion depends on sale or exchange of certain holdings of subsidiary equities. This is also true of Commonwealth & Southern, which has completed one "token" sale of subsidiary stock (Ohio Edison) but has deferred two other sales. American Water Works' plan is dependent on the sale of a huge amount of stock in a new holding company, set up to take over the water works interests. Standard Gas' plan is contingent on sales of operating company stocks; one offering was deferred because bids were deemed inadequate, and this was before the break in the market. The company has, however, reduced its own fixed charges by substituting a bank loan for bond issues. Northern States Power has suffered from a glut of reorganization plans (three new plans were filed to supersede the old one, already approved by the SEC), and may now have to compromise between old and new.

Central & Southwest amended its plan several times due to a fight between Middle West (parent holding company) and the independent common stockholders; but the plan finally approved was contingent on the sale of a

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Dollar To Be Unchanged

Secretary of Treasury Snyder notifies International Monetary Fund par of U. S. dollar will remain at present gold value of $35 per ounce. Furnishes basis for fixing currency values of other member nations of Fund.

In a letter to Camille Gutt, managing director of the International Monetary Fund created by the Bretton Woods Conference, Secretary of Treasurer John W. Snyder, acting as Chairman of the National Advisory Council on International Monetary and Financial Problems, gave formal notice that the gold content of the United States dollar will be unchanged, and the par value in gold will remain at $35 per ounce.

Inasmuch as under the terms of the Bretton Woods agreement, the par value of all other member nations of the Fund is to be fixed in terms of gold or of the United States dollar, the letter of Secretary Snyder has a special significance. As Hugh Dalton, British Chancellor of the Exchequer, has already given notice that the sterling-dollar rate would not be changed, the problem of a new readjustment of the "key currencies" for the time being has been settled, with considerable satisfaction to the promoters of the International Monetary Fund. Under the terms of the charter of the International Fund, the member nations, except those which were occupied by the enemy in the war, are to furnish the managing director of the Fund before Dec. 12, with a statement of the par value of their respective currencies in terms of gold or of the dollar, and no change beyond a margin of 10% is to be permitted subsequently without the formal consent of the directors of the Fund. It is expected that under this arrangement a degree of stability will be achieved in foreign exchanges among the members.

The text of Secretary Snyder's letter to M. Camille Gutt follows:

My dear Mr. Gutt:

In reply to your letter of Sept. 12, 1946, which was received the same day, I have the honor, on behalf of the United States Government, to inform the International Monetary Fund that the par value of the dollar is fifteen and five twenty-firsts (15 5/21) grains of gold nine-tenths (9/10) fine. This par value, based on the rate of exchange prevailing on Oct. 28, 1945, the sixtieth day before the entry into force of the Articles of Agreement of the International Monetary Fund, is identical with the weight and fineness of the United States dollar in effect on July 1, 1944, referred to in Article IV, Section 1, of the Articles of Agreement of the International Monetary Fund.

The United States Government desires that the par value here communicated shall be the par value of the dollar for the purposes of the Fund as mentioned in Article XX, Section 4(b). This par value of the dollar is hereby communicated to the Fund for all territories and possessions of the United States.

The United States Government does not believe that it will be necessary to make any special arrangements for the discussion of the par value of the dollar with the Fund.

Sincerely yours,
(s) JOHN W. SNYDER
Secretary of the Treasury, and Chmn., National Adv. Council on International Monetary and Financial Problems.

Mr. Camille Gutt,
Managing Director,
International Monetary Fund,
Washington 6, D. C.

The Government's Imminent Fiscal Policy

By JOHN W. SNYDER*
Secretary of the Treasury

Treasury Secretary states government must maintain high taxes "for some time," and price control "a little while longer." Affirms Treasury policy of reducing expenditures, balancing budget, and lowering public debt. Cites "non-cash" basis of some Treasury expense items—including terminal leave bonds and E-Bonds' accrued interest—as anti-inflationary.

At the moment American fiscal affairs are healthy and strong. Our economic outlook is good. This will remain true provided we heed our opportunities. As we will. For if the government acts with courage and intelligence—as it intends to do — and the people cooperate — we shall be able to tackle those urgent problems that inevitably face nations in the period of readjustment after war.


John W. Snyder

It requires a great deal of courage and spirit to face the many tasks that confront us today. After all of the troubles and problems of the past few years, it would seem only reasonable that we be allowed time for readjustment and to reflect upon our future course of action. But with the great acceleration of world affairs, we have not been permitted any breathing spell whatsoever. Instead our problems are probably more numerous even than they were during the war years.

The future well-being of our nation, and therefore of all nations, will depend upon the course of action adopted by this country in dealing with our economic problems and in the handling of our political international relationships.

Success or failure will not be due to government, business, labor, or any other group acting individually any more than was winning the war. The outcome will result from the combined actions and contributions of each citizen, each organization, and the government. Upon *all* the responsibility falls, and the result will be shared by all alike.

The Wartime Demand

During the war, a tremendous gap between the supply of consumer goods and the demand for such products was created. The necessities of winning the war always came first. Meanwhile, a larger demand than ever before was created as our income payments to war workers and others attained the highest levels in history.

This limited supply in the face of an increased demand, moreover, was accumulative. Today, we find that our people are ready

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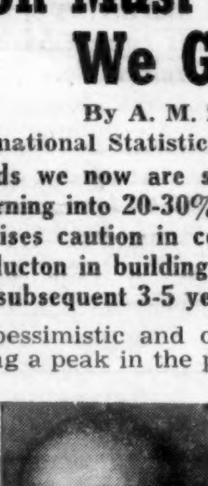
*An address by Secretary Snyder before the Executives' Club, Milwaukee, Wisconsin, Sept. 23, 1946.

How Soon Must We Go Back to Work?

By A. M. ZELOMEK*
Economist, International Statistical Bureau, & Fairchild Publications

Economist holds we now are simply enjoying inventory replacement boom, turning into 20-30% declines in production and prices in 1947. Advises caution in construction outlays, in anticipation of 10-20% reducton in building costs. Over long-term, Mr. Zelomek forecasts subsequent 3-5 year high business activity.

I am both pessimistic and optimistic. I am pessimistic in the sense of expecting a peak in the present inventory replacement boom to be reached some time within the next few months.


A. W. Zelomek

I am pessimistic in the sense of believing that there will then be a period of 9 to 12 months during which a rather substantial business readjustment will have to take place.

I am optimistic in the sense of expecting at least a 3 to 5 year period of high level business activity after the coming temporary recession.

I am also optimistic in believing that some of the wild fears unleashed by the drastic decline in security prices are utterly unfounded. A lot of the talk that sprang up about a "boom and bust" situation was sheer nonsense.

Certainly we are in a "boom and bust" situation, just as we were after the last war. But when we say that, we must be very careful about defining "boom" and defining "bust." What I mean when I use the phrase is that this first postwar business cycle is one of high inventory demand, large money supply, and rising prices, to be followed by a sharp downward readjustment before the economy levels off for its longer term postwar period. In other words, I am using "bust" as being similar to 1920-21, although less extreme, and bearing no relation whatsoever to the great depression between 1929 and 1932.

Peak in Business Activity to Come Early Next Year

The reason for this is keyed in with the inventory picture. This first postwar business cycle is purely and simply an inventory replacement boom. After V-J day total inventory replacement requirements could be reliably estimated at around $8 billion, give or take a little. This made allowance for the liquidation of poor materials and for the higher inventory required by the higher

(Continued on page 1564)

*An address by Mr. Zelomek before Salesmanship Club of Dallas, September 19, 1946.

Weinberg, WPB Aides Awarded Merit Medal

President Truman recognizes their outstanding services in war effort.

Sidney J. Weinberg, prominent member of New York's financial community and head of the investment banking house of Goldman, Sachs & Co., was signally honored Sept. 18 for his outstanding service in the winning of the war when he was presented with a sented with the Medal for Merit.

Sidney J. Weinberg

On duty with the War Production Board from May, 1941, to September, 1944, as assistant to the chairman of the War Production Board and later as vice chairman of the board, Weinberg procured the capable personnel needed to fulfill successfully the mission of the board in its guidance of the main civilian war burden. Mr. Weinberg glamorized the "dollar-a-year" jobs and recruited men qualified to get the goods produced.

Mr. Weinberg, who was born in Brooklyn, has been a well-known figure in Wall Street for many years. He came up the hard way, holding varied jobs in the financial center starting with office boy until he reached the position he now holds.

Mr. Weinberg received the award along with James S. Adams, (Standard Brands, Inc.); Hiland G. Batcheller, (Allegheny Ludlum Steel Corp.); William L. Batt, Sr., (SKF Industries); John D. Biggers (Libbey-Owens-Ford Glass Co.); Harold J. Boeschenstein, (Owens-Corning Fiberglas Corp.); Lemuel R. Boulware (General Electric Co.); Joseph D. Keenan (c/o Chicago Federation of Labor); James S. Knowlson (Stewart-Warner Corp.); William E. Levis (Owens-Illinois Glass Co.); Merrill C. Meigs, (The Hearst Corporation); Donald M. Nelson,

(Continued on page 1564)

Prospects of Economic Stabilization

By RUSSELL WEISMAN*

Associate Editor, Cleveland Plain Dealer

Professor of Economics, Western Reserve University

Economist points out despite vast research into Business Cycle, mistakes of judgment are made and there is little prospect of avoiding "booms and bust." Lays failure to attempts to stabilize at boom level under government compensatory action. Says same errors of judgment and of policy exist as after World War I, and that Administration's efforts to prevent violent fluctuations fail. Holds business fluctuations can be prevented and present error lies in attempting to perpetuate disordered wartime economy. Recommends (1) attention be diverted from jobs to production; (2) that elasticity and flexibility be promoted in our economy; (3) budget be balanced; and (4) public debt be carefully managed.

At more or less regular intervals interest in stabilizing business and industry is revived. In time of subnormal activity, government is called upon to lift production and employment quickly to a substantially higher level and to stabilize it there, while in time of boom the demand is for stabilization at, or near, the peak.

Russell Weisman

At the present time political leaders, apparently fearful of a reaction from the war-born boom are saying a good deal about the desirability of measures and policies that will bring an end to the forces and factors in our economic life that create booms and lead recurrently to depressions. What they really have in mind is government policy that somehow will ward off the reaction which almost inevitably must follow sooner or later the boom engendered by the war.

Control of Business Cycle

In the field of economics we have talked a good deal over many years about the business cycle and possible methods of controlling it. But academic studies in that field have been of

(Continued on page 1560)

* An address by Mr. Weisman before the National Association of Supervisors of State Banks, Cleveland, O., Sept. 19, 1946.

Mr. Dalton's Washington Visit

By PAUL EINZIG

London observer recalls Lord Keynes' dissatisfaction arising from U. S. dictatorial attitude in Savannah Conference that set up World Fund and Bank. Points out British Chancellor of Exchequer's forthcoming visit to Washington may result in a changed attitude which may lead Australia and New Zealand to ratify Bretton Woods Agreements. Looks for abandonment of uncompromising policy followed by former Treasury Secretary Vinson.

LONDON, ENG.—The Chancellor of the Exchequer is now on his way to Washington to attend the inaugural meeting of the Boards of Governors of the two institutions set up under the Bretton Woods Agreement. On the eve of his departure he held a Press Conference at the Treasury, and allowed himself to be quoted, which is a rare enough event in this country to arouse interest. What is even more remarkable is that he did not confine himself to the usual generalities about the need for co-operation and the hopes to establish mutually beneficial personal relations. When questioned about the attitude of Australia and New Zealand towards the Bretton Woods Agreement he remarked that they have not yet made up their mind whether to ratify it, and that their attitude may possibly be influenced by the impressions he would bring back from the forthcoming meeting.

Paul Einzig

To understand the meaning of this remark, it is necessary to recall that the Treasury was profoundly dissatisfied with the results of the Savannah Conference in May. Lord Keynes, though in favor of collaborating with the United States at almost any cost, came back utterly disappointed and full of resentment, owing to the way in which the American delegates brushed aside practically all his proposals. Official circles in London felt that the United States took full advantage of their strong position for securing for themselves virtually a dictatorial role in the International Monetary Fund and in the International Bank for Recon-

(Continued on page 1561)

Reports Indebtedness Still Rising

Commerce Department estimates total U. S. public and private indebtedness at $400.5 billion at end of 1945, an increase of $35.4 billion for year. Rise due to Federal borrowing and to business loans, only partially offset by reduced state and municipal indebtedness. Sees end in decline of non-corporate and mortgage borrowing.

The total net debt in the United States, public and private, amounted to $400.5 billion at the end of 1945, an increase of $35.4 billion from 1944, the Department of Commerce announced on Sept. 25.

This compares with a record increase of $62 billion in the total debt in 1944, the last year of full-scale war expenditures.

Although the war-time rate of increase in the Federal Government debt was considerably reduced during 1945, the Federal debt in the year the war was brought to a successful conclusion increased $42 billion. This increase was partially offset by debt reductions in other spheres, notably a decline of $8.8 billion in corporate short-term debt, largely made possible by decreased Federal income tax liabilities. Short-term corporate debt totaled $46.5 billion at the year's end.

Other declines were in state and local government debt, down $349 million to a total of $13.7 billion at the year's end; long-term corporate debt, down $950 million to a total of $39.3 billion; and farm mortgages, down $190 million to a $5.1 billion total, the lowest level since 1915.

The Federal Government debt, however, was not the only debt to increase during 1945. There were notable increases in noncorporate urban mortgage debt, up $162 million; short-term commercial and financial debt, up $2,541 million; and short-term consumer debt, up $957 million. Noncorporate urban mortgages totaled $27.3 billion at the end of the year; short-term commercial and financial noncorporate debt $14.7 billion; and

(Continued on page 1544)

Parade of Unbelievable Events

By WALTER CHAMBLIN, Jr.*

Vice-President, National Association of Manufacturers

Mr. Chamblin says a Shakespeare is needed to properly paint unbelievable events of last decade. Cites bad labor situation, wavering foreign policy, and President Truman's conflicting, confusing and unpredictable domestic program as situations requiring adequate delineations. Says labor unions are leading to Federal Statism or communism with prohibition of strikes and eventual Federal regulation of profits. Contends Truman is inconsistent in trying to carry out CIO-endorsed policy and, at the same time, seeking conservative-minded men to administer government. Predicts Republican victories in November.

It seems only yesterday . . . yet a decade has passed . . . since John N. Garner lamented that the events of the mid-thirties were so fantastic that future generations would never believe them to be real.

Walter Chamblin, Jr.

The then Vice-President pined for a Shakespeare. He felt only the touch of such an author could dramatize the abdication by Edward Albert of the British throne.

"Why, this Simpson woman," he would say, "is deserving of a place in history comparable to Helen of Troy, but nobody ever thinks of her in that way."

Then he would rephrase the situation this way:

"Think of that man resigning as an Admiral in the British Navy to become third mate to a woman. It's just like Mark Antony throwing away the Roman Empire for Cleopatra."

And of domestic problems . . . he couldn't believe that future generations would ever believe that a great nation felt prosperity could be restored by deficit financing.

Fortunately, Mr. Garner is still alive . . . but unfortunately he has lived to see that the mid-forties are as much in need of a Shakespearean pen as the world of 10 years ago . . . as the parade

(Continued on page 1567)

*An address by Mr. Chamblin before the National Petroleum Association, Atlantic City, N. J., Sept. 18, 1946.

Trends in Industrial Relations

By DONALD R. RICHBERG*

Contending labor monopoly and labor dictatorship are destroying free enterprise, Mr. Richberg asserts as long as labor unions engage in warfare against employers and public they must be tyrannical. Says labor movement has become political, and portends government by class. Urges clarifying line between lawful and unlawful strikes, and recommends legislation to that effect. Advocates Republican-Democratic coalition to lead with minority labor dictatorship.

The main trend in industrial relations is toward the destruction of a free economy by labor monopolies. At the same time democratic processes of government are being destroyed by labor dictators.

Donald R. Richberg

These trends are obscured by the paradox that outstanding leaders of labor constantly proclaim their devotion to free enterprise and their hatred of all monopolies, and the most ruthless labor bosses regularly reassert their faith in democracy! Most of these labor leaders are quite sincere. They simply do not understand that legalized labor monopolies are far more destructive of a free economy than all the business monopolies that ever tried to evade the anti-trust laws. They simply do not understand that a ruling class of labor bosses is just as undemocratic as a ruling class of feudal lords or business barons.

Delusions of Labor Politicians

America, in common with the rest of the world, has been going through a social revolution. The new ruling class that has been emerging enjoys, like previous ruling classes, the delusion that it is working for the greatest good of the greatest number; and that it should gather ever-increasing power to dictate the course of events.

Another delusion common to every ruling class is that it has found formulas and programs whereby men can avoid the natural consequences of their acts. The present delusions of labor politicans include the following:

1. That the high cost of living can be met, or even reduced by increasing wages.

2. That higher wages and shorter hours, without increased production, benefit labor.

3. That labor dictation, enforced by bigger and longer strikes, can increase the income of the wage earners, out of a reduced national income.

(Continued on page 1561)

*An address by Mr. Richberg at the Annual Meeting of the National Petroleum Association, Atlantic City, Sept. 19, 1946. Mr. Richberg is a member of the law firm of Davies, Richberg, Beebe, Busick and Richardson, Washington, D. C.

The Goals of NSTA

By THOMAS GRAHAM*

President, National Security Traders Association

Mr. Graham points out progress of NSTA and says its goals should be (1) opposition to further centralization of Federal power; (2) cooperation with groups supporting private business; (3) support of prudence in financial affairs; and (4) opposition to rule by minority groups. Decries economic fumbling of Federal Government in fiscal and economic affairs, and urges members to support Congressmen believing in American democracy and capitalistic system. Says America's destiny lies in an expanding economy.

The National Security Traders Association was founded in 1934 with an objective fully expressed in the Preamble of its Constitution: "The object of this Association is to promote the general welfare of its members, to establish and maintain high standards of ethical conduct, to provide the benefits to be derived from personal acquaintance and to afford the means of discussing matters pertinent to the trading division of the security business."

Thomas Graham

The membership is composed of 26 affiliates and 88 scattered individual members, the total aggregating 3,254. Every "Main Street" and all large financial centers are represented on the roster. As a charter member of this organization, and one who has been honored and privileged to serve as an officer on three occasions, the growth of NSTA in membership, in prestige and in importance to our industry is most gratifying.

A trader, using broad terminology, is "one who can commit his firm, thus assuming the full responsibility for either his own capital or that of his company." As an organization of *individuals*, the NSTA has particular strength in dealing with State and Federal

(Continued on page 1571)

*Message of Mr. Graham as President of National Security Traders Association at the 1946 Convention, Seattle, Wash., Sept. 17, 1946.

Government and the Banking System

By JAMES K. VARDAMAN, Jr.*

Member, Board of Governors, Federal Reserve System

Recently appointed FRB member warns of danger of Federal absorption of banking system and calls on local bankers to again take their position as financiers of their communities. Decries tendency of public officials and governmental agencies to override intent of Congress and take direct participation in business and exceed legal powers. Says much of regimentation and control in war was unnecessary and calls for discontinuance of war measures that have outlived their usefulness. Lauds present system of dual Federal and State banking and predicts if banks are forced into one great system "this country will find itself in its dying days."

In my opinion the 48 great State banking systems of the respective states form the securest foundation upon which rests our entire structure of private enterprise. Without those banks it is hard for me to conceive just how our present system of political and social and business economy can continue. Without them standing at the bulwark and forefront of individual effort and individual accomplishment, the world trend toward collectivism will certainly sweep all before it in this country as it has in nearly all other countries of the world.

After spending more than 20 years in investment and commercial banking, I absented myself for six years to do a job—a purely destructive job—with the United States Navy. On my return I have been fortunate enough to become connected with this great Federal Reserve System which is potentially one of the most constructive influences in government and is the biggest single wheel in our financial and monetary machinery. But there are other wheels in this machinery just as important as the Federal Reserve System and all of these wheels must mesh and work together, else we are certain to strip our gears and find ourselves an immobile wreck along the roadside of human progress.

There is the Secretary of the

(Cintinued on page 1568)

*An address by Mr. Vardaman at the Dinner Meeting of the Annual Conference of National Association of Supervisors of State Banks, Cleveland, O., Sept. 19, 1946.

"Tools for Profit" Talk on Productivity

At a closed preview at 4:00 p.m. Thursday afternoon, Sept. 26, a select audience will gather at the Downtown Athletic Club to hear Lowell Thomas' commentary with a late movie of the operations of the Cross Company, entitled "Tools for Profit." The room will be designated on the club bulletin board.

"Tools for Profit" is of special interest today because of the need for increased productivity. It is becoming increasingly evident that labor is not going to provide the increase in efficiency which will curb inflation and improve our living standards and hence the universal interest in mechanization of manufacturing processes. Commencing with a brief review of our company's history since 1898, "Tools for Profit" includes on-the-job scenes of some of the latest and most intricate metal working machinery in some of America's largest industrial plants.

Representatives from a select group of statistical services and financial publications will be present and investment dealers or their representatives will be welcome.

Carl Kent Now With Counsel Firm of Boyd

CLEVELAND, OHIO—Carl H. Kent, Jr., former investment trust officer of the Cleveland Trust Co., is associated with the investment counsel firm of Boyd & Co.

Food Supply and Price Considerations

By PAUL S. WILLIS*

President, Grocery Manufacturers of America, Inc.

Leading grocery spokesman, though expressing some satisfaction with revised OPA law, asserts situation in his industry is now not much better than during war. Contends manufactured food prices are reasonable and have advanced only proportionately with those of other products. Asserts production of food products will continue to be hampered as long as price control exists without corresponding control of wages and as long as we seek to solve problems of world with American food and American money. Predicts ample and more diversified food supply.

I feel that I am well qualified to address this gathering of controllers—and I appreciate the invitation to do so. For more than four years now, the word "control" has been an important one in the grocery business, and I have spent most of my working days battling unfair controls, trying to fathom others, and in general doing business with the controllers in Washington.

Paul S. Willis

After this four year experience, I assure you that it is a distinct pleasure for me to appear here today and discuss food supply and price considerations with a roomful of practical professional controllers.

Since some of you people are executives of firms engaged in the food and grocery business you are, therefore, well aware of the situation of which I speak.

In the food industry — as well as in almost every other field of endeavor — there is a close relationship between supply and price. That is basic, and all business men know it.

In the first place, the producer of a product must be able to sell that product at a price which will pay his costs of production plus a reasonable reward for his labor — in plain words there must be a profit, or there will be no continuing supply.

On the other hand, his product

(Continued on page 1562)

*An address by Mr. Willis before the Controllers Institute of America, New York City, Sept. 17, 1946.

O'Connell and Janareli To Be Dissolved

The investment firm of O'Connell & Janareli, 120 Broadway, New York City, will be dissolved as of Sept. 26. Homer O'Connell is forming Homer O'Connell & Co., Inc., with offices at 25 Broad Street, New York City. This new firm will deal in railroad bonds and stocks and industrial stocks. Associated with the firm will be Joseph Mitchell who will be in charge of the trading department.

Joseph Janareli will continue in business under his own name from offices at 120 Broadway.

D. H. Robins With Scherck Richter Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Delmar H. Robins has become associated with Scherck-Richter Company, Fourth and Locust. Mr. Robins was previously with Edward D. Jones & Co. and Friedman, Brokaw & Samish. In the past he conducted his own investment business under the firm name of D. H. Robins & Co.

High Lights and Side Lines On the NSTA Convention Train

By the "Chronicle's" Roving Reporter, EDWIN L. BECK

Harry S. Grande, Grande & Co., Seattle, Wash., welcomed the NSTA visitors in a striking manner—with matches.

* * * *

Foster & Marshall, Seattle, Wash. gave the boys a most elaborate map to guide them around town. It saved many a footstep and the boys were most thankful.

* * * *

The Pacific Northwest Company, of Seattle had a Wall Street Journal tucked under every door each morning—while the gang did not always read it, they liked having it handy.

* * * *

All the members of the **Seattle Bond Club** gave their time cheerfully and served us at every turn. **Don Meyers**, Foster & Marshall, did a swell publicity job for the Convention City.

* * * *

Portland boys put on a great program. We were met at the depot Friday morning with Gray Line busses and driven to the Multnomah Hotel for breakfast. After breakfast, we took our tours to Bonneville Dam or Timberline Lodge and were back at the hotel at 2:30 p.m. for luncheon. At 5:30 p.m. The Cocktail Party; at 7:30 p.m. a most elaborate buffet supper with nothing lacking. The KOIN Radio Station orchestra played for us and all joined in the singing of favorite college tunes, sectional songs and for closing "God Bless America."

Pictures taken at the NSTA Convention at Seattle, also of newly elected officers, appear on pages 1541, 1542 and 1543

* * * *

Ann Walsh (Mrs. Richard H.) sang several beautiful numbers for us. Her hubby **Richard H. Walsh** of Newhard, Cook & Co., St. Louis, we found was quite a whistler, too. They should be on the radio—the applause was terrific.

"For You a Rose in Portland Grows," as the saying goes, was found a reality by the ladies of the party who were presented with a beautiful rose to wear.

* * * *

Donald C. Sloan, Sloan & Wilcox, did a grand job as "M. C." He was backed up 100% by his Committee. We say "Thanks a Million, Portland."

* * * *

Harold Smith, Collin, Norton & Co., New York City, found out from our guide on the bus that "Multnomah" meant "Down the River." When he was asked how the market was going he would simply say "Multnomah."

* * * *

Richard Saffin, Boland, Saffin & Co., New York City, is complaining about the rummy tactics on the NSTA train—while playing cards they called his attention to the lovely Western scenery and when he turned to look cried "Gin."

* * * *

Robert McConnaughey, Securities & Exchange Commissioner from Philadelphia, is one of us on the trip. Dale Carnegie had better see him for pointers when next he revises his book "How to Win Friends and Influence People." Bob and his attractive wife have made plenty of friends. His pet saying is "The SEC boys don't wear horns and tails."

* * * *

E. S. Robinson, Phillips, Schmerz & Robinson, Philadelphia, led a hand picked group of traders bedecked in engineers' caps at Eugene, Oregon on Sept. 21. They were all eager to learn how to operate a big iron horse. It's a fascinating bizz with no 1/8—1/4—1/32 to worry about either.

* * * *

A lot of funny signs pasted on the compartment doors in our train:

"No Hunting Allowed on These Premises—Trespassers will be prosecuted to the full Extent of the Law."

"Furnished Rooms."

"Does Your Basement Leak?"

* * * *

Mrs. Chester de Willers (C. E. de Willers, New York City) celebrated her birthday on Sept. 21 and was presented with an elegant corsage of lettuce leaves, radishes, etc., tied with a lovely blue ribbon.

* * * *

Frank White, National Quotation Bureau, San Francisco, the girls say is a WOW—that means "Worn Out Wolf," Frank!

* * * *

Ed Welch, Sincere & Co., Chicago, and **Jack E. Jones**, Hartley Rogers & Co., Seattle, got together and sorted out the married couples for the doubles at the Olympic.

Saturday night the Myrt Parson Follies were presented in the Club Car. **Larry Doyle**, Hardy & Co., New York City, turned out to be an "M. C." that put over the show with a bang—he sings too. About 10 star acts with music by two boys hired at Seattle and brought along on the train to San Francisco made the bill a grand success.

Sunday noon we arrived at Oakland. The Gray Line busses met us and a police escort saw us to the Mark Hopkins Hotel in a hurry.

2:30 p.m.—We went on a sightseeing tour to Muir Woods National Monument. The redwood and bay trees, one 246 feet tall and 17 feet in diameter, with bark 15 inches in thickness. We had to lie flat on our backs to see the top—it was a wonderful education for city boys.

The bus ride along Mount Tamalpais made a good many ladies scream—what curves, what drops, what etc.

Public Works Expenditure to Rise

James E. Webb, Budget Director, says strict compliance with President's economy directives by department heads would be detrimental to public interest. Sees need of further revisions in budget to avoid exceeding proposed expenditure limitation.

Upward revision of the expenditure limitations for Federal agencies for public works during the fiscal years 1947 and 1948 was held out as a probability by James E. Webb, Director of the Bureau of the Budget, in a statement issued Sept. 20.

James E. Webb

The Director's intimation came as the result of reports being received by the President from agency heads in response to letters addressed to them on Aug. 2, demanding the immediate institution of economy measures and, particularly, the deferring of all construction not of an imperative nature.

In part, the President's letter read:

". . . We must go ahead with some programs that are absolutely necessary, such as the veterans' emergency housing program and the veterans' hospital program. In each public works program we should keep in mind the conservation of materials with which to accomplish the most necessary construction. We should at the same time be careful not to interfere with private construction and the overall job of reconversion.

"The Federal Government should not compete with private industry for scarce materials, neither should it compete in any area for scarce labor. . . . Accordingly, it is my desire that all postponable public works be deferred until private demands for goods and services slacken off."

Heads of departments, in reviewing expenditure programs in the light of the President's desires, reported to him that strict compliance would, in their opinion, be detrimental to the public interest. The programs chiefly in question related to flood control, river and harbor improvement, reclamation, power development, rural electrification and highway construction. They requested reconsideration of the limitations and are submitting revised data relative to present commitments.

In addition, the agencies listed new projects considered as nondeferrable in the interest of the Federal Government and the general economy.

As the analysis of the reports is completed, necessary revisions will be made to the extent justified. The work is now in progress and it is expected that recommendations will be made within the next two weeks.

Budget Bureau officials stated that any upward revisions in public works limitations will occasion a further review of other budget items in order that the total expenditure limitation, as set by the President in his August review, would not be exceeded.

NSTA Notes

SECURITIES TRADERS ASSOCIATION OF DETROIT AND MICHIGAN

Harold R. Chapel, partner of McDonald-Moore & Co. has been elected President of the Securities Traders Association of Detroit and Michigan, Inc. Mr. Chapel, who is a past President of the Bond Club of Detroit and former Chairman of the Michigan Group of the Investment Bankers Association of America and of the Municipal Advisory Council of Michigan, has been active for several years in the Traders Association and served last year as Vice-President.

Other officers elected are Ralf A Crookston of Hornblower & Weeks, Vice-President; Reginald MacArthur of Miller, Kenower & Company, Secretary, and Clarence Horn of First of Michigan Corporation, Treasurer. Claude G. Porter of Mercier, McDowell & Dolphyn, a past President, was appointed Chairman of the Membership Committee; H. Terry Snowday of E. H. Rollins & Sons, Inc., a newly elected Director, Chairman of the Program Committee; while retiring President Paul I. Moreland of Moreland & Company, becomes Chairman of the Arbitration and Ethics Committee. The officers and committee chairmen constitute the Board of Directors for the next fiscal year.

Other appointments announced by Chapel are four past presidents to serve as National Committeemen: Frank H. Kemp of R. C. O'Donnell & Co.; Bert F. Ludington of Baker, Simonds & Co.; Frank P. Meyer of First of Michigan Corp.; and Don W. Miller of McDonald-Moore & Co. Alternate Committeemen are Ray P. Bernardi of Cray, McFawn & Co.; and H. Russell Hastings of H. Russell Hastings & Co., both past presidents; and George J. Elder of Mercier, McDowell & Dolphyn; and Neil DeYoung of DeYoung, Larson and Tornga. The new officers will take office on Oct. 1.

The Securities Traders Association of Detroit and Michigan, Inc. founded in 1935 has over 170 members from 64 Investment Houses doing business in Detroit and Michigan.

Efficacy of Price Control

By THOMAS H. McKITTRICK*
President, Bank for International Settlements

Administrator of BIS points out difficulties in enforcing price control under peace conditions, and lays down as conditions for efficacy (1) a high standard of administrative ability; (2) a sufficient supply of commodities to meet population's vital needs; (3) a fair measure of price stability on world markets; (4) avoidance of hindrances to economic progress; and (5) not claiming more than is actually achieved in price stabilization. Notes subsidies in price control are of no value without adequate supplies for proper rationing and stresses need of restricting expenditures for subsidies to avoid an inflationary movement.

It is important that the efficacy of a system of price control should not be overrated, in forgetfulness of the conditions which have to be fulfilled for its satisfactory functioning.

In the first place, a high standard of administrative ability is required if the system is to be adequately run. It is not only a question of finding officials who are reliable and otherwise qualified to handle the problems arising but also of seeing that the administration as such commands sufficient authority to ensure among the public at large respect for the regulations in force. There are signs that in peacetime the behavior of the public is going to differ from what it was during the war. While a nation is engaged in a deadly struggle for its very existence, individual citizens can be counted upon to lend their aid willingly to the authorities, it being a point of honor to fall into line as regards both civilian and military tasks.

But, when the national emergency has passed and everyday life begins again, the attitude often changes into one of sharp criticism whenever mistakes are committed, together with a distinct inclination to safeguard private interests; the task of the officials then becomes more difficult. Another reason is that with a return to peace there is no longer any definite objective (like the winning of the war) which has a clear priority over other considerations. From a psychological point of view the danger is that regulations may be broken without any condemnation by public opinion, the reaction of the public providing a test of general sentiment and a deterrent often more effective than sanctions of the law.

In the second place, it must be underlined that no country has

(Continued on page 1557)

*Extracted from the 16th Annual Report of Bank for International Settlements, Basle, Switzerland, July, 1946.

Wall Street Union Fails in Attempt to Obtain Bargaining Rights for Employees of Trust Co.

Employees of Empire Trust Co. turn down United Financial Employees as collective bargaining agent, 174 to 97. Set-back is third union has had in three weeks. Representatives of NYSE and union scheduled to discuss new contract next week.

The United Financial Employees has a score of exactly zero so far in its efforts to obtain collective bargaining rights for the employees of Wall Street brokerage houses and banks. Last week, the union lost another election—at the Empire Trust Company—97 to 174. There were 321 persons eligible to vote altogether but only 291 cast ballots of which 20 were either void, challenged or blank.

Three weeks ago, the U. F. E. lost two elections, one at Harris, Upham & Co., 115 to 197, and the other at Carl M. Loeb, Rhoades & Co., 67 to 272. Thus, to date, the voting against the union has been running better than two-to-one.

However, the union is trying to get the results of the election at Harris, Upham & Co. set aside in favor of a new election. Officers of the union have filed objections with the State Labor Board charging the company with unfair labor practice on the grounds that it interfered with the free choice of employees. The State Labor Board has considered the objections and has set next Thursday, Oct. 3, as the date for a hearing. Testimony will commence at 10 a.m.

The union is particularly concerned over the outcome of its struggle with Harris, Upham & Co. as it feels that this case will pretty much set the pattern for the "Street." It claims a membership of 200 among the employees of that company. The union is now also thinking about bringing charges of unfair labor practice against the Empire Trust Co.

The union has written to the New York Stock Exchange asking a meeting to discuss a new contract to replace the present one which expires on Oct. 15. One of the provisions of the present contract calls for the opening of negotiations looking toward a new contract by Oct. 1 and a meeting of Exchange and union representatives is scheduled for early next week. Another provision of the present contract calls for the automatic extension of the present contract for a period of 30 days in the event an agreement can not be reached by Oct. 15, with the terms of the new contract retroactive back to Oct. 15.

Union officials will go to the conference table armed with the authority granted in a poll (the vote was 652 to 5) of the Stock Exchange employees on August 14 to call a strike if necessary to enforce its demands.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Executives Tell—A column of data on developments in industrial situations—a regular feature to appear in **Highlights of Wall Street**—J. F. Reilly & Co., Inc., 40 Exchange Place, New York 5, N. Y.

ICC Monthly Comment—Summary of report on transportation statistics—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Arden Farms Company—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Also available is a study of **A. S. Campbell Co., Inc.**

Argo Oil Corp.—Descriptive circular—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

Also available are circulars on **Tennessee Products** and **Wellman Engineering.**

Aspinook Corporation—Circular—Ward & Co., 120 Broadway, New York 5, N. Y.

Also available are memoranda on **W. L. Douglas Shoe Co.; Hartford Empire; Lanova Corp.; Mohawk Rubber;** and **Taylor Wharton Iron & Steel; Barcalo; Haloid; American Window Glass; Purolator Products; Upson Corp.; Alabama Mills.**

Belden Manufacturing Company—Special anallytical report—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Also available are reports on **Central Arizona Light & Power Company, Glenn L. Martin Company, The Plomb Tool Company, Sierra Pacific Power Company, Texas Company, Towmotor Corporation, The Trane Company,** and **The White Motor Company.**

Bird & Son, Inc.—Memorandum—Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

Also available are memoranda on **Gruen Watch Company** and **Northern Indiana Public Service.**

Boston Wharf—Descriptive analysis—du Pont, Homsey Co., 31 Milk Street, Boston 9, Mass.

Also available are studies of **Dwight Manufacturing Co.** and **Purolator Products.**

Central Public Utility 5½s of '52 and Consolidated Electric and Gas Pfd. — Comprehensive study and analysis in brochure form—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

Cherry Rivet Company—Analysis—L. D. Sherman & Co., 30 Pine Street, New York 5, N. Y.

Decker Manufacturing Co.—Detailed Analysis—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Also available are analyses of **Hydraulic Press Manufacturing Co.; Long Bell Lumber Co.,** and **Miller Manufacturing Co.**

C. H. Dutton Company—Analysis for dealers only on 66-year old company with interesting prospects—Moreland & Co., Penobscot Building, Detroit 26, Mich.

Federal Water & Gas Corp.—Memorandum—J. G. White & Co., Inc., 37 Wall Street, New York 5, N. Y.

General Cable Corporation — Study—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Also available is the **Fortnightly Investment Letter** discussing **Rail Prospects.**

Greyhound Corporation—Circular—Hicks & Price, 231 South La Salle Street, Chicago 4, Ill.

Also available are memoranda on **The Chicago Corp.** and **The-Muter-Co.**

Grinnell Corporation — Memorandum—Boenning & Co., 1606 Walnut Street, Philadelphia 3, Pa.

Also available is a memorandum on **Southern Advance Bag & Paper Co.**

Gulf, Mobile & Ohio Railroad—Analysis—R. H. Johnson & Co., 64 Wall Street, New York 5, N. Y.

Liberty Loan Corporation — Study of situation aud outlook—Sills, Minton & Company, 209 South La Salle Street, Chicago 4, Ill.

MacFadden Publications — Circular—C. E. de Willers & Co., 120 Broadway, New York 5, N. Y.

National Terminals Corporation—Late memorandum for dealers only—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

New England Public Service Co.—Appraisal of values — Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Fred B. Prophet Company—Detailed memorandum—De Young Larson & Tornga, Grand Rapids National Bank Building, Grand Rapids 2, Mich.

Rockwell Manufacturing Co.—Analysis—Steiner, Rouse & Co., 25 Broad Street, New York 4, N. Y.

Schenley Distillers Corporation—Brochure of articles they have been running in the Chronicle—write to Mark Merit, in care of **Schenley Distillers Corporation** 350 Fifth Avenue, New York 1, N. Y.

Sheller Manufacturing Corp. — Recent report—**Mercier, McDowell & Dolphyn**, Buhl Building, Detroit 26, Mich.

Solar Manufacturing Corp. — Analysis — New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Also available is an analytical memorandum on **A. S. Campbell Co., Inc.**

T. W. A.—Current analysis—John J. O'Brien & Co., 209 South La Salle Street, Chicago 4, Ill.

Ohio Brevities

A large group of Cleveland investment brokers and their wives made the excursion to the west coast for the convention of the National Security Traders Association in Seattle last week. The group which is not expected back in Cleveland until next Monday, were honored with receptions and dinners by the Bond Traders Association at San Francisco and the Security Traders Association of Los Angeles.

In the Cleveland contingent were Dave Barhyte of Hawley, Shepard & Co.; M. A. Cayne of Cayne & Co.; George Opdyke of Ledogar-Horner & Co.; Ben McPolin of McDonald & Co.; Robert Erb of Green, Erb & Co.; William Koeth of Gunn, Carey & Co.; and William Mericka and Edward Parsons, Jr., of Wm. J. Mericka & Co. Also in the group was Carl Zies, president of V. D. Anderson Co. of Cleveland.

* * *

On Nov. 21 at Atlantic City, Dr. Rufus E. Zimmerman, vice-president in charge of research and technology of the U. S. Steel Corp., will be awarded the 1946 medal for the advancement of research by the Society for Metals of Cleveland.

Mr. Zimmerman, who has offices in New York and Pittsburgh, is a graduate of Franklin & Marshall College, Thiel College and Massachusetts Institute of Technology.

* * *

Recent Ohio school bond awards—

George A. Walker, clerk of the Warrensville Heights School board, announced the awarding of $235,000 unlimited tax school building bonds to Wm. J. Mericka & Co. The winning bid was 101.09 for 2¼% bonds, which were reoffered at prices to yield from 0.75% to par for the final maturity.

A total of $64,000 bonds for construction of four additional rooms to the Parkman School went to Paine, Webber, Jackson & Curtis. The bid was $787.70 premium for 1¾s. The school board president, Forrest Bidlack, said that it may be a year or more before the improvement can be completed because of the high cost of materials and labor.

* * *

Otis & Co. and Halsley, Stuart & Co. were awarded a total of $10,800,000 water bonds of two Michigan cities.

The first was $6,000,000 bonds of Midland on a bid of 100.0136 at an interest cost of 2.13% at prices to yield 1% in 1949 to 2.15% in 1976. The other was $4,800,000 Saginaw bonds on a bid of 100.01 at an interest cost of 1.86% at prices to yield 0.90% in 1949 to 1.90% in 1976. Funds will be used to develop and increase the water supply of each community.

* * *

Manufacturers & Traders Trust Co. of Buffalo, submitted the bid of 1.67% for $979,050 promissory notes of Erie Railroad to cover purchase of 15 Diesel electric locomotives. Central National Bank of Cleveland participated with the Buffalo bank. The Erie also has requested bids for $254,000 promissory notes to finance about 80% of the cost of four more Diesel electric locomotives.

* * *

Since the first of the month, the Cleveland Trust Co. has added four new branch banking offices, including one in nearby Painesville.

The additions increase Cleveland Trust's assets by over $25,000,000 bringing the bank's total above the $1,000,000,000 mark.

Early this month Cleveland Trust took over the First National Bank of Painesville with assets of around $7,000,000.

Last week the Lorain Street Bank with two branches joined the Cleveland Trust, adding approximately $20,000,000 more in assets. Cleveland Trust is the largest bank in Ohio and 16th largest in the country with 50 banking offices.

* * *

Keith S. McHugh, a vice-president in charge of public relations and information department of American Telephone & Telegraph Co., has been elected a director of Ohio Bell Telephone Co. Henry S. Sherman, president of the Society for Savings Bank, also was elected a director recently.

* * *

The annual report to stockholders of the Central National Bank of Cleveland has been awarded the highest merit award certificate for the excellence of last year's report by the "Financial World." It was judged the best in its field for 1944.

* * *

Hayden B. Kline, veteran officer and director of Industrial Rayon Corp., has been elevated to the newly created post of executive vice-president and a member of the executive committee.

He became associated with Industrial Rayon in 1925 as a research chemist and was a leading figure in the company's development of the method for continuous spinning and processing of viscose filament yarn. He has been vice-president since 1930.

* * *

FINANCIAL SHORTS — **Cleve H. Pomeroy**, vice-president and treasurer of **National Malleable & Steel Castings Co.**, moved into the presidency last week . . . **Frank J. Schwab**, vice-president, has been named to head sales activities of **Lempco, Inc.**, and subsidiaries . . . **Norman H. Vacha** elected a director and vice-president in charge of product development of **John C. Virden Co.** . . . **John H. Kerr**, former secretary of **American Steel & Wire Co.**, elected secretary of **Cleveland-Cliffs Iron Co.** and **Cliffs Corp.** . . . **William C. Dunn** and **N. O. Scourfield** elected directors of **Harris-Seybold Co.**

One Way to Solve the Meat Shortage

"One way to solve the meat shortage," providing you like fish. Bill Baren of William S. Baren Co., of New York City, and Ben Del Monaco of The Genesee Valley Securities Co., Inc., of Rochester, N. Y., claim they broke the record for black bass at Henderson Harbor, N. Y. . . . and above is the pictorial evidence! The accuracy of the foregoing comes from reliable sources but cannot be guaranteed.—Editor.

The Economic Situation

By JOHN H. MacDONALD*

Vice-President, National Broadcasting Company

Newly elected President of Controllers Institute of America condemns unneeded government restrictions as impeding reconversion, but lays part of blame on excesses practiced by business in past. Foresees increasing competition in business in next year and says this will necessitate accurate judgment of economic fundamentals as well as close study of costs and accounting procedure. Urges clear statement in corporation reports.

Fifteen years ago business in this country was slipping rapidly into the worst depression in its history. Although we did not know it then, the New Deal, carrying with it the long line of government controls of business with which we are all so familiar, had already been conceived. Since then we have seen a major depression followed by a partial recovery, World War II and a year of halting reconversion. We have also seen a far-reaching and fundamental change in the social and economic philosophy of virtually the entire world. I question whether even today there is a complete realization of how far these concepts of the degree to which private enterprise should be regulated by government have gone. To be sure, some restrictions imposed during the war have been lifted, but in many cases, important policy decisions still are made only after careful consideration of probable Washington reaction. I do not regard this as the proper atmosphere in which to conduct the affairs of a business organization.

John H. MacDonald

Business Has Practiced Excesses

Now, lest I be accused of being a reactionary who is completely out of touch with the develop-

(Continued on page 1564)

*An address by Mr. MacDonald before the Controllers Institute of America, New York City, Sept. 16, 1946.

A Fiscal Policy to Fight Inflation*

Committee for Economic Development cites the following steps necessary to curb inflation: (1) increased productivity; (2) restraint in raising wages and prices; (3) postponement of deferrable expenditures by individuals and businesses and State and local governments; (4) curtailment of public's expendable funds, through monetary policy; (5) high sales of Savings Bonds; and (6) reduction of Federal expenditures and maintenance of sufficient revenues to yield large excess of receipts over expenses in current fiscal year.

There is danger that the present inflationary trend in the United States will mount to grave proportions. Shortages persist everywhere. Our production performance has not been as good as it might have been. There are concentrated in 1946 not only the "normal" demand of 1946 but also part of the demand of 1942-1945, pent up during the war, and part of the demand of future years, which businesses and consumers of every nation of the world are trying to satisfy now. The sum of these demands exceeds the present or prospective supply of goods.

We speak of serious, accelerating inflation as a danger. It is not a certainty; we may escape it. But it would be foolhardy to depend on good fortune alone to bring us through this crucial period unscathed.

Our national performance, the manner in which we handle these problems, is important not only to ourselves but also to men and women in every part of the world. American production is the most important factor in world reconstruction. American financial stability is the most important factor in recreating a peaceful trading world. If we fail to discharge the unusual responsibilities which we have earned by our performance in war, we shall lose our leadership in peace.

Any effective program to arrest or moderate the present inflationary trend will be many-sided and will require the active support of all sectors of the community—business, labor, agriculture, consumers, federal, state and local governments. The inflationary threat must be combated with more production and less spending—more work and more restraint. These are efforts to which everyone who works or spends can contribute. This policy statement is concerned largely with what the Federal Government can do, but not because Federal action alone would be sufficient or even more important than action by other groups. The contribution that individuals in their private capacity can make to more production and less spending depends upon their own particular circumstances and cannot be prescribed from any central source.

The length to which Federal action must go in fighting inflation will depend upon how well each of us discharges our individual responsibilities. If as consumers, businessmen, farmers or workers we now embark upon a spree of spending and price and wage increases, the alternative to runaway inflation must include at least stringent curtailment of government services, severe credit restriction and steep boosts in tax rates.

We list here the essential elements in a program to curb inflation, starting with what is generally agreed to be the most important and desirable step—the expansion of production:

1. *Efforts of management, labor and government to increase productivity.* Maladjustments in the flow of materials, industrial disputes and distortions in the wage and price structure have reduced the efficiency of production since V-J Day in many industries, notably manufacturing. There is now an opportunity to increase productivity per man-management-

(Continued on page 1570)

*A statement on National Policy issued by the Research and Policy Committee of the Committee for Economic Development, September 21, 1946.

National Security Traders Association

NEWLY ELECTED OFFICERS

President

R. Victor Mosely

1st Vice-Pres.

Paul Yarrow

2nd Vice-Pres.

Paul I. Moreland

Secretary

Ed. Welch

Treasurer

James Duffy

Executive Council

John O'Neill

Jesse Sanders

Ernest Blum

Jack Jones

At the Convention

New Officers

The 13th Annual Convention of NSTA was held in Seattle on Sept. 17-19, 1946. R. Victor Mosley, Stroud & Co., Philadelphia, was elected President of the Association to succeed Thomas Graham, The Bankers Bond Co., Louisville.

Other officers elected were Paul Yarrow, Clement, Curtis & Co., Chicago, First Vice-President; Paul I. Moreland, Moreland & Co., Detroit, Second Vice-President; Edward H. Welch, Sincere & Co., Chicago, Secretary; James R. Duffy, Paine, Webber, Jackson & Curtis, Boston, Treasurer. Named to the 1947 Executive Council were John O'Neill, Stein Bros. & Boyce, Baltimore; Jesse Sanders, Sanders & Newsom, Dallas, Tex.; Ernest Blum, Brush, Slocumb & Co., San Francisco; and Jack Jones, Hartley Rogers & Co., Seattle.

ON ARRIVAL
Mrs. Thomas B. Graham and Thomas B. Graham, *Bankers Bond Co.*, Louisville; Mr. & Mrs. Ed Welch, *Sincere & Co.*, Chicago.

NSTA Objective

The National Security Traders Association was founded in 1934 with an objective fully expressed in the Preamble of its Constitution:

"The object of this Association is to promote the general welfare of its members, to establish and maintain high standards of ethical conduct, to provide the benefits to be derived from personal acquaintance, and to afford the means of discussing matters pertinent to the trading division of the security business."

The membership is composed of twenty-six affiliates and eighty-eight scattered individual members, the total aggregating 3,254.

Boston was chosen for the site of the 1947 NSTA Convention.

A. Sherman Ellsworth, *Wm. P. Harper & Son & Co., Inc.*, Seattle; Dayton Haigney, *Dayton Haigney & Co., Inc.*, Boston; D. A. Balfour, *Russell, Hoppe, Stewart & Balfour*, Portland; Edward E. Gutherless, *Blyth & Co., Inc.*, Portland.

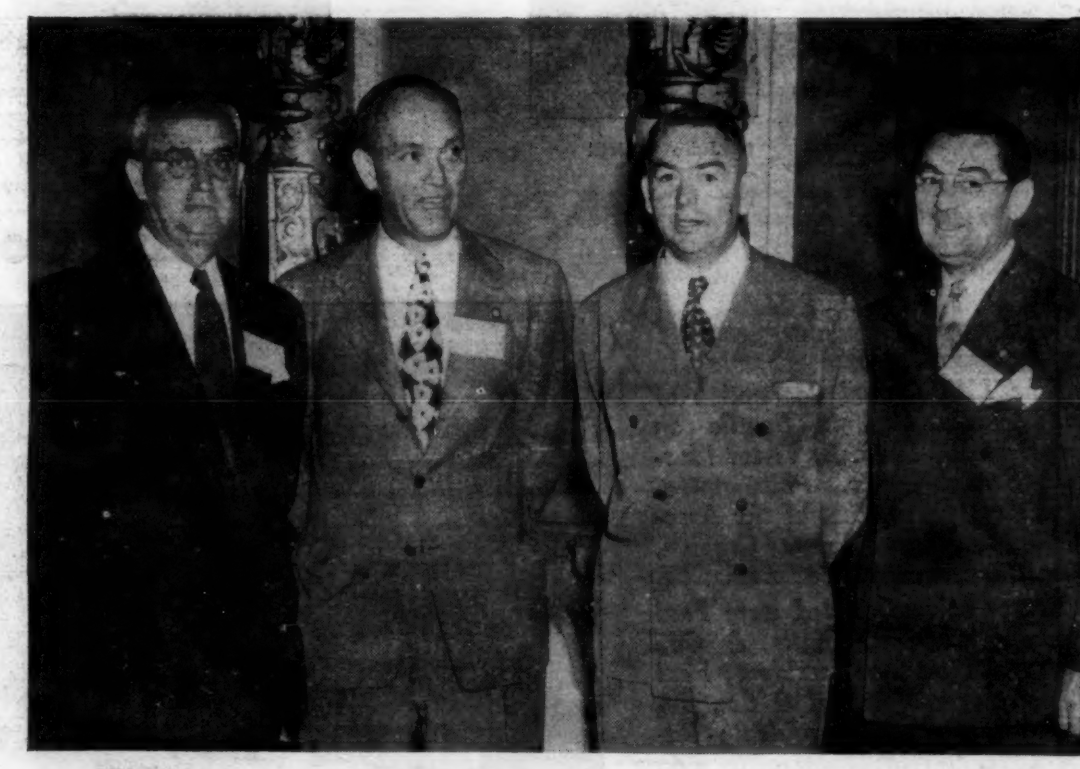
John C. Hecht, *Butler-Huff & Co.*, Los Angeles; Jerry Tegeler, *Dempsey-Tegeler & Co.*, St. Louis; Thomas Montgomery, *Glore, Forgan & Co.*, Chicago; Charles M. Zingraf, *Laurence M. Marks & Co.*, New York City.

413 Members Attend 13th Annual Convention

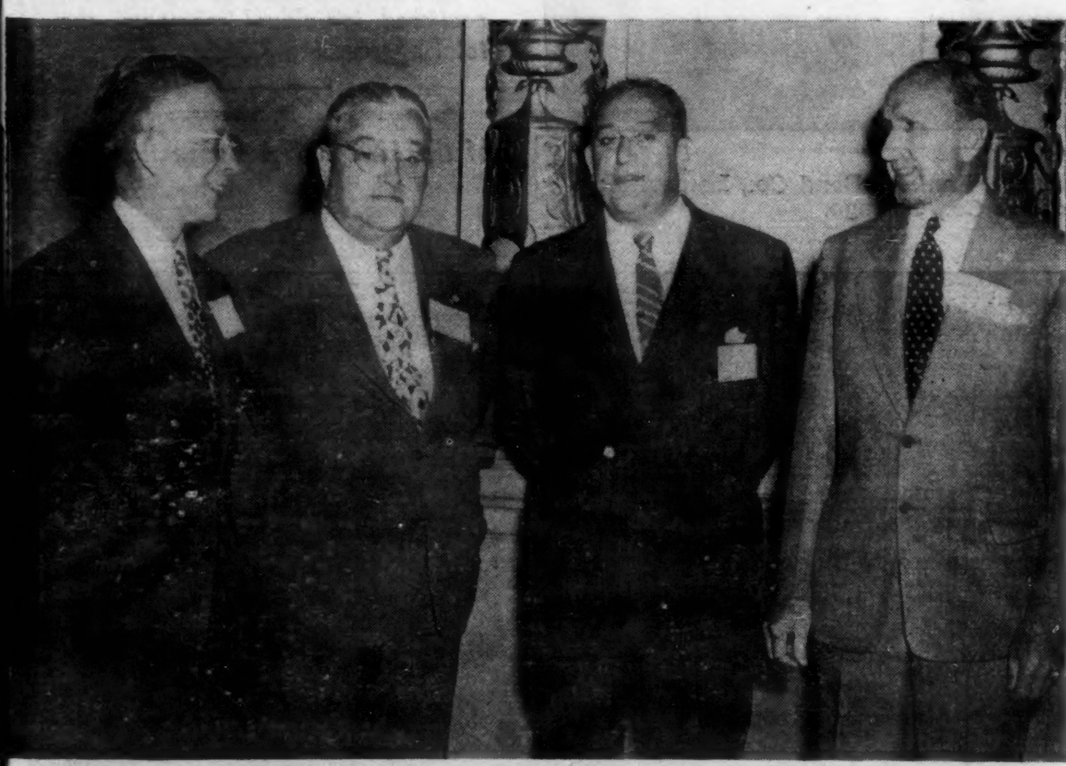
E. W. Snyder, *E. W. Snyder & Co.*, Syracuse, N. Y.; Ora Ferguson, *Merrill Lynch, Pierce, Fenner & Beane*, Louisville; George F. Oodyke, *Ledogar-Horner Company*, Cleveland; A. Gordon Crockett, *B. V. Christie & Co.*, Houston.

T. E. O'Connell, *Kaiser & Co.*, Seattle; Herman A. Feldmann, *Geyer & Co., Inc.*, New York; G. Harold Pearson, *Dallas Rupe & Son*, Dallas; A. A. Sullivan, *Equitable Securities Corp.*, New York City.

B. F. Kennedy, *Bosworth, Chanute, Loughridge & Co.*, Denver; Dick Walsh, *Newhard, Cook & Co.*, St. Louis; Lex Jolley, *Johnson, Lane, Space & Co., Inc.*, Atlanta; Ralph C. Deppe, *Edward D. Jones & Co.*, St. Louis.



L. Gordon Miller, *Miller & Patterson*, Richmond, Va., R. Victor Mosley, *Stroud & Co., Inc.*, Philadelphia; Clifford E. Poindexter, *Turner-Poindexter & Co.*, Los Angeles; Benjamin H. Van Keegan, *Frank C. Masterson & Co.*, New York City.



Clarence E. Taylor, *Scott, Horner & Mason, Inc.*, Lynchburg, Va.; Harold B. Smith, *Collin, Norton & Co.*, New York City; Otto A. Berwald, *Berwald & Co.*, New York City; Stanley L. Roggenburg, *Roggenburg & Co.*, New York City.

Clair S. Hall, Jr., *Clair S. Hall & Co.*, Cincinnati; Carl Stolle, *G. A. Saxton & Co.*, New York City; W. E. Creamer, *Schirmer, Atherton & Co.*, Boston; W. J. Zimmerman, *Bingham, Walter & Hurry*, Los Angeles; Hugh R. Schlicting, *Wm. P. Harper & Son & Co., Inc.*, Seattle.

Held in Seattle Sept. 17-19, 1946

Jesse A. Sanders, Jr., *Sanders & Newsom*, Dallas; Robert W. Thornburgh, *The W. C. Thornburgh Co.*, Cincinnati; John Kalb, *Kalb, Voorhis & Co.*, New York City; Herbert Pettey, *Equitable Securities Corp.*, Nashville; H. Frank Burkholder, *Equitable Securities Corp.*, Nashville.

Maurice Hart, *New York Hanseatic Corporation*, New York City; Jack E. Jones, *Hartley Rogers & Co.*, Seattle; Abraham Strauss, *Strauss Bros.*, New York City; Irving L. Feltman, *Mitchell & Co.*, New York City; John Kalb, *Kalb, Voorhis & Co.*, New York City.

A. A. Jordan, *Jordan & Co.*, Seattle; Louis S. Lebenthal, *Lebenthal & Co.*, New York City; O. D. Griffin, *Lord, Abbett & Co., Inc.*, New York City; Thomas A. Akin, *Akin-Lambert Co.*, Los Angeles.

Murray Barysh, *Ernst & Co.*, New York City; Max Kaplan, *White & Co.*, St. Louis; Samuel E. Magid, *Hill, Thompson & Co.*, New York City; Houston Hill, Jr., *J. S. Strauss & Co.*, San Francisco.

Joe C. Phillips, *Pacific Northwest Company*, Seattle; Wm. Perry Brown, *Newman, Brown & Co.*, New Orleans; Albert O. Foster, *Foster & Marshall*, Seattle; Ludwell A. Strader, *Scott, Horner & Mason, Inc.*, Lynchburg, Va.

R. Emmet Byrne, *Dempsey-Tegeler & Co.*, St. Louis; James F. Jacques, *First Southwest Co.*, Dallas; Henry J. Richter, *Scherck, Richter Co.*, St. Louis; Don Meyer, *Foster & Marshall*, Seattle.

Oscar M. Bergman, *Allison-Williams Co.*, Minneapolis; William T. Patten, *Blyth & Co., Inc.*, Seattle; Lyle Wilson, *Pacific Northwest Co.*, Seattle; Barney Nieman, *Carl Marks & Co., Inc.*, New York City.

John J. O'Kane, Jr., *John J. O'Kane, Jr. & Co.*, New York City; Jack F. Glenn, *Courts & Co.*, Atlanta; Leo J. Doyle, *Doyle, O'Connor & Co.*, Chicago; Ellwood S. Robinson, *Phillips, Schmertz & Robinson*, Philadelphia; George E. Lestrange, *Moore, Leonard & Lynch*, Pittsburgh.

Real Estate Securities

From time to time, we've suggested in this column that real estate bonds, representing first mortgage liens against favorably situated properties, had receded to levels which made them extremely attractive from the standpoint of both yield and security. We based our contention on the fact that new construction could never compete with existing properties because of high building costs and OPA restrictions on rentals. As a matter of fact, as shown in the article below (appearing in the N. Y. "Sun" of Sept. 24, 1946,) it is even impossible for buildings with 100% occupancy (although probably in a better position than possible new construction) to show operating profits under rent ceilings:

"The landlord of the 12-story luxury-type apartment building at 417 Park Avenue was denied permission by the Office of Price Administration today to close his building, despite his pleas that the building was losing money under present operating conditions.

"The decision, handed down today by Ira Schiller, chief area rent attorney, was directed against Samuel H. Berman, record owner of the property. Twenty-eight tenants were affected, including Peter Arno, the cartoonist; Hiram C. Bloomingdale, the department store executive; John Reid Topping, brother of Dan Topping, part owner of the New York Yankees baseball club, and Clarence H. Low, retired rubber executive.

"David Neuwirth, attorney representing the tenants, said today that Berman was associated with the Gresham Realty Company, headed by Alexander M. Bing, the real owners of the property, and charged that they wished to remove the tenants to convert the building for business purposes.

"Berman said that the OPA's permission had been asked to withdraw the building from the rental market because '417 Park Avenue has been unable to earn sufficient income to meet its carrying charges. The rents now collected under OPA regulations are not sufficient to meet the expenses of operation, New York City taxes and the mortgage charges as provided by the law of the State of New York.'

"Unless the decision is reversed in an appeal, it was pointed out that the ruling compels an owner to operate his property at a loss.

"Representatives of the tenants at an OPA hearing, said Berman, 'seemed to recognize the financial plight of the owner and indicated their willingness to pay an increased rent so that the loss could be eliminated. However, it was indicated to the tenants that under the present OPA regulations, such an increased rent may not legally be accepted and that the only relief available to the owner was to press the application for withdrawal from the housing rental market.'"

Reports Indebtedness Still Rising

(Continued from page 1536)

short-term consumer debt $6.7 billion.

In reviewing the changing pattern of public and private debt during the war period, from 1941 to the end of 1945, the Department of Commerce said that the total net debt advanced from $202.4 billion to $400.5 billion. During these years the gross national product or expenditure rose from $120 billion to $199 billion.

This was a period of generally favorable conditions for private debt reduction, with the Federal government taking over much of the responsibility for war financing and expanding incomes permitting the retirement of existing debt. From 1941 through 1945, net long-term private debt dropped from $78.7 billion to $71.7 billion. This reduction, however, was offset by a large rise in business short-term obligations, required for the greatly enlarged business volume in 1945 as compared to 1941.

During this period (1941-1945), Federal Government net debt increased more than five-fold, noncorporate short-term commercial and financial loans increased nearly one and one-half times, and corporate short-term debt increased moderately. Other classes of debt contracted in varying degrees: urban noncorporate mortgage, 5%; corporate long-term, 10%; State and local government, 16%; farm mortgage, 22%; and noncorporate short-term consumer, 32%.

Noncorporate urban real estate mortgages, which declined from $26.3 billion at the end of 1941 to $27.1 billion at the end of 1944, expanded during 1945, the Department of Commerce said. During 1945, mortgages of this type increased by $162 million as compared with a reduction of $174 million during 1944.

State and local governments reduced their outstanding obligations during the war years. The limited opportunity for capital expenditure, reflecting wartime conditions with respect to supply of materials and labor, plus steadily rising revenues, were responsible for debt retirements by State and local governmental bodies.

In viewing the period ahead, the Department of Commerce said that the downward trend of farm mortgage indebtedness that has been continuous since the early 1920's, may be halted soon. This was indicated in 1945, it was said, when the decline was retarded for the nation as a whole. In 20 states farm mortgages increased in 1945 as compared with only 8 states showing increases in 1944.

The Treasury's debt reduction program, begun in late February 1946, brought to a close a period of public debt expansion such as this country has never before known, the Department of Commerce said. It is expected that the broad trends in indebtedness evident during the war will have been substantially altered by the close of 1946.

The expanding peace-time economy has already increased business needs for both long-term and short-term capital and mortgage loans are rising with the acceleration of private construction activity.

A full discussion of public and private debt in the United States, written by Elwyn T. Bonnell, National Income Division, Office of Business Economics, will appear in the September issue of "Survey of Current Business," official Department of Commerce publication.

The following table shows a breakdown of the nation's net public and private debt for the years 1941, 1944 and 1945:

	1941	1944	1945
	(Millions of Dollars)		
Total Net Public and Private Debt	202,446	365,115	400,466
Federal Government, Federal Corporations and Agencies	47,797	205,040	247,025
State and local government	16,337	14,074	13,725
State Government	1,860	1,417	1,379
Local Government	14,477	12,657	12,346
Corporate, total	83,443	95,637	85,882
Long-term	43,614	40,297	39,347
Short-term	39,829	55,340	46,535
Noncorporate, total	54,869	50,364	53,834
Farm Mortgage	6,484	5,271	5,081
Urban Mortgage	28,562	27,134	27,296
Short-term Commercial & Financial	9,924	12,182	14,723
Short-term Consumer	9,899	5,777	6,734

"Price Maladjustments Due to Retention of Wartime Controls"

Robert F. Bryan of Lionel D. Edie & Co. holds money supply is not excessive if full production were permitted and industries were not handicapped by strikes and material shortages. Decries a long-continued recession in business since there is no necessity to "liquidate something." Holds wages have risen more than prices.

In a paper before the Public Utilities Section of the Controllers Institute of America in New York City on Sept. 17, Robert F. Bryan, Vice-President of Lionel D. Edie & Co., Cleveland, blamed the continuation of wartime controls for much of the present inflationary trend. He pointed out that despite the heavy increase in the money supply, the amount would not be excessive "if price controls were removed and labor will stay on the job" since with increased output the present volume of currency could be absorbed.

"In the middle of 1940, Mr. Bryan remarked, the money supply was only $39 billions. It has, therefore, increased by $66 billions or 170%. This increase is the direct result of the sale of new issues of government securities to the commercial banks, which the banks paid for by setting up on their books deposits to the credit of the federal government. These deposits were subsequently spent by the government for the goods and services needed to wage war, and in this way ownership of this money was transferred to private businesses and individuals. As between businesses and individuals, the ownership of the money supply is now divided about fifty-fifty; in 1940 the ownership was about 55% business and 45% personal."

"Regarding reducing the circulation, Mr. Bryan said that "there is only one way in which our supply of money can be reduced. That is through the retirement of government securities now held by banks, either with the pro-

(Continued on page 1565)

Sees International Currency Essential to World Unity

Alden A. Potter contends an international currency is synonymous with international government, and denies sovereignity of individual nations can be maintained under it.

Editor, Commercial & Financial Chronicle:

This note is to call your attention, because of your interest in world peace, to a question raised by Congressman Crawford and answered by Chairman of the Federal Reserve Board, Marriner Eccles, as follows (p. 287, Hearings on the Anglo-American Financial Agreement, House Committee on Banking and Currency, 79th Congress, 2nd Session):

Alden A. Potter

Mr. Crawford: Some months ago the late President Roosevelt dropped a thought to us that the world was not yet ready for an international currency. . . . Would you care to comment on the readiness of the world for an international currency, or whether or not it is in the prospective future?

Mr. Eccles: Well, I think that an international currency is *synonymous* with an international government. I do not see how you can have an international currency and yet have separate sovereign powers. The currency, it seems to me, has got to be created by the sovereign power of government, and how you can have a hundred sovereign governments and have one currency, is not conceivable to me at all.

Mr. Crawford: In other words, in no way does it come within the concept of the Bretton Woods machinery directly, or as it might be expanded?

Mr. Eccles: The Bretton Woods machinery, of course, is a recognition of the fact that you cannot have one currency. If you could have one currency, you would not need Bretton Woods. The very fact that you have this International Monetary Fund is a recognition of the fact that one currency is not possible.

In other words, the Bretton Woods and allied arrangements in financial matters are the basis of an international, not a worldwide, organization of human society. "An international currency is *synonymous* with an international government." Of course, Mr. Eccles meant a worldwide government; he plainly says that separate sovereign powers are incompatible with the existence of a single currency. He must, therefore, view our state governments as organizations which are separate but not sovereign, for the Constitution prohibits them from participating in the function of issuing money and sustaining its value.

Correlatively, there can be no worldwide government without a worldwide currency system as devoid of "foreign exchange" difficulties (such as the Fund and Bank, so-called, are alleged to resolve) as is the state of trade within the U. S. A. Were it not for a common currency, there could be no United States Government, and no truly free trade between our states.

If Mr. Eccles' definition of sovereignty is right—and I think it is—then no "surrender of sovereignty" is involved in any of the current proposals for promoting international peace by disarmament through a UNO or by treaty. Nor can there be any proper or feasible approach to world government by way of police power, such as is proposed in developing an Atomic Development Authority to police an atomic disarmament program among the members of a group of nations. Such an arrangement cannot have laid the basis of a world sovereignty, with significant legislative power, as long as these members stand in monetary isolation such as would obtain within our own country if our states issued money as did the Colonies before the Union was formed.

ALDEN A. POTTER.

Bethesda 14, Maryland
September, 1946.

Churchill Pleads for United Europe

Proposes a United States of Europe in which both Germany and France would take leading parts. Cites League of Nations as precedent and ascribes failure to desertion from its principles. Expresses gratification at President Truman's interest and sympathy in his proposal, and holds it does not conflict with United Nations Organization. Urges oblivion of past and look toward future. Holds first step in recreation of European family is partnership between France and Germany but says little regarding Russia.

Speaking in Zurich, Switzerland on Sept. 19, Winston Churchill, wartime Prime Minister of Great Britain, made a strong plea for a recreated United Europe, with both France and Germany in a "family partnership." He suggested the creation of a United States of Europe based on the principles of the old League of Nations. He made little reference to Russia as a member in the proposed organization, but stressed the importance of a partnership between Germany and France.

Winston Churchill

The text of Mr. Churchill's speech, as monitored in London by the Exchange Telegraph and reported by the Associated Press, follows:

Ladies and gentlemen: I am honored today by being received in your ancient university and by the address which has been given to me on your behalf and which I greatly value.

I wish to speak to you today about the tragedy of Europe. This noble continent, comprising on the whole the fairest and the most cultivated regions of the earth, enjoying a temperate and equable climate, is the home of all the great parent races of the Western world. It is the foundation of Christian faith and Christian ethics.

It is the origin of most of the culture, art, philosophy and science, both of ancient and modern times. If Europe were once united in the sharing of its common inheritance there would be no limit to the happiness, the prosperity and the glory which its 300,000,000 or 400,000,000 people would enjoy. Yet it is from Europe that has sprung that series of frightful and nationalistic morals originated by the Teutonic nations in their rise to power, which we have seen in this twentieth century and which have for a long time wrecked the peace and marred the prospects of all mankind.

And what is the plight to which Europe has been reduced? Some of the smaller states have indeed made a good recovery, but over wide areas a vast quivering mass of tormented, hungry, careworn

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AFL Firm Against Sovietism

By WILLIAM GREEN*

President, American Federation of Labor

Attacking both Russian aggression and dual unionism, veteran labor leader calls for support of a firm foreign policy and a united stand of our government's efforts to maintain and reinforce world peace. Calls attention to infiltrations of communism in CIO unions, and condemns Russia's labor policy as enslaving the worker by making him creature of State.

The great hope of the American people after V-J Day was that victory could be crowned with lasting world peace. To achieve that goal, our people were willing to make every sacrifice. We gave food and supplies and money to our Allies and even to our conquered enemies at a time when serious shortages existed in our own land in order to prove we meant what we said in proclaiming the good-neighbor spirit as the basis for future international relations. We helped to form the United Nations Organization, the UNRRA and many similar financial and economic agencies through which we could make our contribution to world reconstruction and world peace.

William Green

Yet here we are, more than a year after V-J Day without having secured any tangible progress toward our great objective. Other nations have been eager to take everything we had to offer, but remain persistently unwilling to give even the slightest token of cooperation for peace.

Today, instead of international accord, we have international tension. The United Nations Organization is united on paper only. The bitter truth is that a sharp split has occurred between the democratic nations on one side and Soviet Russia with her Communist satellites on the other.

Soviet Russia has embarked on a deliberate course of expansion in all directions. She has reached out and seized the territory and the assets of neighboring States. She has plundered occupied territory. She has enslaved millions of former enemy workers and is driving them under conditions of forced labor to rebuild her own economy. She has fomented revolution in nations like China where we are trying to restore stabilized conditions. Her agents are spreading propaganda hostile to the United States in Japan, in South America and in other parts of the world. Her satellite, Jugoslavia, which our own American boys helped to liberate and to whose starving people we are still sending vast amounts of relief supplies, has shot down and killed American fliers, bound on peaceful missions.

The time has come to call a halt to the aggressive tactics of Soviet Russia and her Communist dependencies. The time has come for a showdown. Unless we can come to a clear and honest under-

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*An address delivered by Mr. Green before the Illinois State Federation of Labor Convention, Rockford, Ill., Sept. 18, 1946.

Canadian Securities

By WILLIAM McKAY

Newfoundlanders are debating whether should apply for the admission of their island territory as a province in the Dominion of Canada. Conservative merchants are not inclined favorably toward the proposition as they fear the loss of business to Canadian competitors. The present commission form of government which came into being during the crisis of the last depression is believed to be highly unpopular, however, and there is no doubt a considerable part of the population, consisting largely of fishermen, would welcome the abolition of tariff barriers to trade within the national boundaries of Canada and other advantages which, they think, federation with Canada would bring.

The entire issue is being thrashed out now at a national convention at St. John called for the purpose of drawing up recommendations to be presented to Great Britain purporting to indicate what the people of the island think their government should be like. The commission government is disliked, it is said, partly for the reason that many of the commissioners have been British civil servants who have ruled the land with an attitude developed from years of service in such areas as India and other remote sections of the British Empire. If the move for federation should fail, it is likely therefore that some other form of self-rule would be adopted. Newfoundland would be Canada's tenth province.

Newsprint Shipments to U. S. Increase

Shipment of newsprint from Canada to the United States in August totaled 294,847 tons, the largest amount ever sent across the border in any single month. Inventories of wood pulp in the U. S. have been comparatively low, amounting to only 531,647 tons at the end of July, or less than 17 days' consumption and, it is believed, increased U. S. consumption of paper and paperboard along with the failure of the Scandinavian countries to resume volume shipment of wood pulp to the U. S. has made the U. S. lean heavily upon Canada for both wood pulp and paper.

Want Clarification of U. S. Custom Regulations

The Canadian delegation to the London preparatory meeting for the International Trade Conference which opens on Oct. 15 will press for a clarification of U. S. custom regulations. A spokesman said: "It has been the experience of many Canadian exporters in the past that the United States administration of tariffs and regulations is so complex and requires too much documentation and leaves so much discretion to the individual officer that there have been reports that goods have gone through one port cheaper than through another. There have been cases where importers have tired of all the documentation and delays occasioned through the American system and have decided to let it go and not attempt to import goods from Canada again. Therefore, the wholesale removal of tariffs would do us no good if regulations hampered entry into the United States." The Canadian delegation will be headed by Hector McKinnon, Chairman of the tariff board and President of Commodity Prices Stabilization Corporation.

Efforts to Settle Steel Strike Bog Down

Efforts to settle the steel strike continue to bog down deeper and deeper. The union now has reaffirmed its demand for a 15½ cents an hour increase in wages and refuses to budge from this position. Perhaps decisions by the War Labor Board to grant workers in other fields wage increases ranging from 15 to 17 cents an hour may have a bearing on the matter. A 15-cent wage increase for 750 Vancouver longshoremen was announced last Saturday, for instance. An increase of 15 cents and more to 37,000 British Columbia loggers, of 17 cents to 1,800 textile workers at Courtauld's in Cornwall and of 15 cents to 2,000 steelworkers in four British Columbia locals of the union have been granted, says the union. Reconstruction Minister said at Vancouver last week that all strikes, but the steel strike in particular, are "holding the country back worse than the war ever did."

Price Control Costs Canadians $900,000,000

Operation of the price control machinery in Canada from 1941 to March 31 of next year will cost the Canadian Government a grand total of something like $900,000,000, it has been estimated. This figure includes War Price and Trade Board bills amounting to about $440,000,000 and Dept. of Agriculture subsidies of $455,000,000, $80,000,000 to keep the price of bread down and payment of $375,000,000 to bonus grain, dairy and hog production. The Canadian National Railways will file an application in Chambers Court at Winnipeg for permission to pay $7,000,000 into the Manitoba Court of King's Bench on an option to purchase the lines of the Manitoba Railway Company, a subsidiary of the Northern Pacific Railway. The Dominion Bureau of Statistics has reported that visible supplies of Canadian wheat in store or in transit in North America at midnight, Sept. 12, amounted to 79,556,200 bushels, an increase of 12,289,197 bushels over the total for Sept. 5.

Inadequate Labor Supply in Northwestern Quebec

The lack of an adequate labor supply is holding up the development of the Province of Quebec, the Montreal Board of Trade and La Chambre de Commerce found in a tour of the region recently. Both agricultural production and mining operations must be severely restricted because there is a shortage of manpower, it seems.

Trends in the Stock Markets

The prices of securities on the stock markets during the last week followed closely the trend in New York. Golds, however, were fairly steady. In New York, the demand was good for both Canadian Government internals and high grade external bonds.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Insurance Stocks

Aggregate operating results of 85 stock fire insurance companies for the first half year of 1946, compared with the first half of 1945, are tabulated below. These figures are as published in Best's Bulletin Service, compiled from the filed statements of the companies.

	June 30, 1945 (000's Omitted)	June 30, 1946 (000's Omitted)	% Change
Admitted assets	$1,406,644	$1,608,330	+14.3
Capital and surplus	808,777	909,173	+12.4
Unearned premium reserves	422,566	484,728	+14.7
Net premiums written	253,527	302,440	+19.3
Statutory underwriting	—11,444	—28,232	----
Net investment income	17,846	19,082	+ 6.9
Loss ratio	59.8%	62.2%	+ 4.0
Expense ratio	39.5%	39.9%	+ 1.0
Combined ratio	99.3%	102.1%	+ 2.8
Dividends declared	13,194	13,613	+ 3.2

The Bulletin points out that while these 85 companies write approximately only 35% of total business, nevertheless, their operations provide a reasonably good index of the entire industry.

Net premium volume is up 19.3%, a rate of gain approximately double that of the past few years, and probably reflects the inflationary rise in insurable values. Statutory underwriting results compare unfavorably with last year; however, after adjustments for the 14.7% increase in unearned premium reserves, 40% of which is creditable to statutory underwriting results, company by company, the comparison with last year appears less unfavorable. Net investment income is up 6.9% while dividends declared are up 3.2%. These figures, it should be noted, are before Federal taxes.

These are total figures for the entire group of 85 companies. Naturally, the experiences of individual companies vary considerably; it therefore is pertinent and of interest to present Table I and Table II.

TABLE I

	Cap. and Surp. 6/30/45 (000's Omitted)	Cap. and Surp. 6/30/46 (000's Omitted)	% Chg.	Unearned Prem. Reserves 6/30/45 (000's Omitted)	Unearned Prem. Reserves 6/30/46 (000's Omitted)	% Chg.	Net Premiums Written 6 Mos. 1945 (000's Omitted)	Net Premiums Written 6 Mos. 1946 (000's Omitted)	% Chg.
	$	$		$	$		$	$	
Agricultural Ins.	9,046	9,314	3.0	7,553	9,447	25.1	4,404	6,113	38.8
American	21,450	25,736	20.0	22,903	26,849	17.2	13,594	17,369	27.8
Bankers & Shippers	3,656	3,863	5.7	3,638	4,068	11.8	1,858	2,173	17.0
Camden	7,916	8,007	1.1	7,679	9,376	22.1	4,582	5,912	29.0
Continental	107,209	124,077	15.7	29,025	30,871	6.4	16,512	16,748	1.4
Fidelity-Phenix	88,651	104,787	18.2	22,343	23,717	6.1	13,235	13,456	1.7
Fireman's Fund	45,212	49,629	9.8	24,796	27,033	9.0	21,723	21,128	—2.7
Glens Falls	14,319	15,593	8.9	11,363	13,436	18.2	6,482	8,604	32.7
Globe & Rutgers	7,766	9,056	16.6	3,934	4,883	24.1	2,230	3,174	42.3
Hanover	12,497	13,834	10.7	8,375	10,198	21.8	4,853	6,580	35.6
*Ins. Co. of N. A.	117,045	149,930	28.1	31,814	31,929	0.4	22,438	20,909	—6.8
Jersey	2,478	2,627	6.0	2,324	2,599	11.8	1,187	1,389	17.0
National Union	8,639	8,124	—6.0	12,319	14,069	14.2	6,230	7,707	23.7
Security Ins.	9,249	8,812	—4.7	6,993	8,020	14.7	3,946	4,783	21.2
Springfield F. & M.	22,347	22,184	—0.7	18,890	22,351	18,3	10,724	12,821	19,6
Totals	477,480	555,573	+16.4	213,949	238,846	+11.6	133,998	148,866	+11.1
Average	------	------	+8.9	------	------	+14.7	------	------	+19.8

*Capital increased 25% December, 1945, through sale of additional shares.

TABLE II

	Combined Underwriting Ratios 6 Mos. 1945 %	Combined Underwriting Ratios 6 Mos. 1946 %	Net Underwriting Results 6 Mos. 1945 (000's Omitted)	Net Underwriting Results 6 Mos. 1946 (000's Omitted)	Net Inv. Income 6 Mos. 1945 (000's Omitted)	Net Inv. Income 6 Mos. 1946 (000's Omitted)	% Change
Agrictultural	101.5	103.7	— $84	— $229	$274	$283	3.3
American	103.0	95.3	— 385	+ 647	533	595	11.6
Bankers & Shippers	110.3	106.1	— 185	— 133	91	88	—3.3
Camden	98.4	102.6	+ 47	— 122	250	256	2.4
Continental	92.4	94.2	+ 1,184	+ 891	2,351	2,423	3.1
Fidelity-Phenix	91.7	91.7	+ 1,059	+ 1,069	1,917	2,027	5.7
Fireman's Fund	88.5	96.2	+ 985	+ 532	959	1,110	15.7
Glens Falls	91.7	97.4	+ 456	+ 159	271	316	16.6
Globe & Rutgers	114.3	112.4	— 359	— 366	169	167	—1.2
Hanover	102.9	107.0	— 178	— 410	318	332	4.4
Ins. Co. of N. A.	100.2	97.2	— 12	+ 345	1,794	1,961	9.3
Jersey	110.7	106.5	— 123	— 89	59	59	--
National Union	106.1	107.3	— 254	— 530	258	218	—15.5
Security	104.3	109.6	-- 257	— 408	166	168	1.2
Springfield F. & M.	102.8	106.3	— 370	— 791	511	535	4.7
Totals	----	----	+ $1,504	+ $565	$9,921	$10,538	+6.2
Average	101.2	102.2			-----	-----	+3.9

With regard to capital and surplus in Table I, only three companies report a lower value on 6-30-46 than on 6-30-45, viz: National Union, Security and Springfield. The maximum increase of 28.1% by Insurance Co. of North America was influenced by a 25% increase in capitalization through the issue and sale of additional shares in December, 1945. All companies show a gain in unearned premium reserves, and all companies, except Fireman's Fund and Insurance Co. of North America, report an increase in net premiums written.

In Table II it will be noted that six companies reported a combined ratio for the first six months of 1946 under 100%; these same companies report a net underwriting profit. Only five companies show improvement over 1945, viz: American, Bankers & Shippers, Globe & Rutgers, Insurance Co. of North America and Jersey; but only one of these, Insurance Co. of North America, reports underwriting profits in 1946.

The 15 companies in the aggregate show net underwriting profits for the first half of 1946, yet these are 61.5% below their totals for the same period in 1945. Nine companies out of the 15 report underwriting losses.

The picture of net investment income is quite different, since 13 companies report a gain, one company shows no change and only two show lower profits.

It is of interest to remark that stock fire insurance companies on Dec. 31, 1945 reported the highest premium volume in the history of the business. Indications are that, as of June 30, 1946, the volume was running approximately 20% above the 1945 peak.

Caffrey and Schram to Address Securities Administrators

Dinner Friday, Sept. 27, will climax three-day annual meeting.

James J. Caffrey, Chairman of the Securities and Exchange Commission, will be the principal speaker at the annual dinner of

Emil Schram

James J. Caffrey

the National Association of Securities Administrators, to be held at the Commodore on Friday, Sept. 27. This will be Mr. Caffrey's first public appearance since his election to the Chairmanship of the Securities and Exchange Commission.

Nathaniel L. Goldstein, Attorney General of the State of New York, will preside at the dinner, and Emil Schram, President of the New York Stock Exchange, will speak briefly. The annual meeting of the National Association of Securities Administrators opened on Wednesday, Sept. 25, and will continue through Sept. 27. The President of the Association is J. Edwin Larson, Securities Administrator of the State of Florida. He will preside at the business sessions.

The speakers at the business sessions include Dr. Willard E. Atkins, who, together with Harold G. Moulton, President of The Brookings Institution, and Dr. George W. Edwards, prepared the recent report of that Institute on the subject of the capital markets.

There will be a luncheon at noon at the Commodore on Sept. 27, at which John J. Powers, Assistant Attorney General of the State of New York, will preside.

The following organizations are acting as hosts in the entertainment of the visiting Administrators: New York Stock Exchange, Association of Stock Exchange Firms, New York Curb Exchange, Investment Bankers Association, National Association of Securities Dealers, New York Security Dealers Association, New York Open-End Investment Companies.

SEC to Investigate Stock Market Break

James A. Treanor, Jr., Director of Trading and Exchange Division, will seek through questionnaires to reconstruct market of Sept. 3. Wants to know what group of operators were most active.

It was announced by the Securities and Exchange Commission on Sept. 23 that an attempt will be made to find the cause or causes of the stock market's abrupt and steep decline on September 3. James A. Treanor, Jr., Director of the SEC's Trading and Exchange Division, reported that the transactions for the day would be reconstructed sale by sale in fifteen-minute averages and that he has prepared a questionnaire which would be sent to every member firm of the New York Stock Exchange for data on sales made during the day. A similar investigation was made in 1937 when the SEC laid blame for a severe break on short-selling and imposed new restrictions on this form of trading.

J. A. Treanor, Jr.

According to Mr. Treanor, the Commission will ask for the name of the security, the number of shares and price of each security, the number of shares and price a share, the name and address of each customer, whether a purchase or sale, and if a sale, whether it represented a "short sale" or a "stop-loss" order.

Mr. Treanor stated also that an investigation of specific securities or reconstruction of other trading days would be followed if results of the proposed investigation on Sept. 3 warranted it. The Commission requested that information in the questionnaires be returned to its New York office by Oct. 7.

If it is ascertained that pools operated in the market, Mr. Treanor said, then the SEC would take action against the operators and there would be a tightening up of SEC rules.

Officials of SEC admitted they don't know what the results of the investigation will show. They indicated that it "was going into this with an entirely open mind until the information has been assembled and interpreted."

Dutch Finance Minister Arrives

Prof. Pieter Lieftinck accompanied by Dr. A. M. DeJong, Director of Netherlands Bank, to attend meetings of International and World Bank. Lauds usefulness of Bretton Woods institutions, but cautions they cannot prevent depressions.

Professor Pieter Lieftinck, Netherlands Minister of Finance, arrived in New York, on Sept. 22 aboard K. L. M.'s Flying Dutchman, Schiedam, to attend a meeting of the Governing Board of the International Bank and Fund for Reconstruction and Development, which opens next Friday in Washington. Accompanying the Minister was Dr. Adriaan M. DeJong, director of the Netherlands Bank, who Prof. Lieftinck said will be his alternate governor, during the meetings which are expected to last for about a week.

Pieter Lieftinck

During a press interview at the airport, Porf. Lieftinck stated that he had not brought any specific proposals from Holland and that it was difficult for him to say what would be discussed at the meeting, since he had as yet to see the agenda.

Requested to comment upon the immediate objective of the meeting, he replied: "I think the discussions will deal with the whole set-up of the fund and the bank."

Asked to comment upon the role of the bank in European recovery, Professor Lieftinck said: "I think both institutions will be very useful for the development of post-war economies and the abolition of exchange control by individual nations and may contribute largely to the distribution of foreign credits."

In reply to a question by one reporter as to whether the organization would serve to prevent depressions, Professor Pieter Lieftinck replied: "I am afraid we will not succeed yet to prevent depressions, but it may help to smooth them out."

Asked if that implied that depressions are inevitable, the Professor concluded by saying: "It all depends on whether national governments will be successful in keeping the investment business under control and in stabilizing levels of prices and wages."

Professor Lieftinck left La-Guardia Field immediately for Ottawa for an official visit with the Canadian Government. He expects to arrive in Washington on Wednesday to prepare for the International Bank meetings scheduled to begin in that city next Friday.

Marshall Adrian Company

DENVER, COLO.—The Marshall Adrian Company, Colorado Building, is engaging in the securities business. Officers are Robert J. Botkin, President; G. Ernest Ryan, Vice-President, and E. R. Edwards, Secretary-Treasurer.

Wallace Resigns From Cabinet At Truman's Request

Commerce Secretary, after receiving telephone request from President, immediately complies. In evening radio broadcast, he says he will "carry on fight for peace." President Truman issues formal statement of Administration's position at press conference and Chairman Reece of Republican National Committee announces in statement that he rejoices.

On the morning of Sept. 20, hardly 12 hours after he had an extended conference with Secretary of Commerce Henry A. Wallace,

President Truman

Carroll Reece

Henry A. Wallace

following which it was stated that the Secretary would continue in office, but would make no further public utterances

(Continued on page 1566)

World Bank Treasurer Appointed

Crena de Iongh of Netherlands appointed to office by Eugene Meyer. Was formerly connected with Netherlands Trading Co. and was Dutch delegate at Bretton Woods.

Eugene Meyer, President of the International Bank for Reconstruction and Development, on Sept. 20 announced the appointment of Mr. D. Crena de Iongh, of the Netherlands, as Treasurer of the Bank.

Mr. Crena de Iongh was born in Dordrecht, the Netherlands, on April 21, 1888. He studied law at the University of Leyden and received his Doctor's degree in May, 1914. In June, 1914 he entered the Rotterdam office of the Netherlands Trading Society, a large banking institution with offices in the Netherlands and the Netherlands East Indies, and later became Vice President and then President of the Society in Amsterdam, resigning the latter position in September, 1939.

He went to the Netherlands East Indies in December, 1939, and was serving as Chairman of the Netherlands Indies Airways Company when the Netherlands was overrun by the Germans and he was asked by the Netherlands Indies Government to set up an exchange control and manage it. A few days before the capitulation to the Japanese, he left the Netherlands Indies at the request of the Government and went to London where he served as an official of the Netherlands Department of Colonies and handled the foreign assets of the Netherlands East Indies.

Mr. Crena de Iongh was a member of the Netherlands delegation to the Bretton Woods Conference and to the UNRRA Council in Atlantic City. He was also Chairman of a governmental agency representing the economic and financial interests of the overseas areas of the Netherlands in the United States, and in May, 1946 he became Financial Counselor for Netherlands Indies Affairs of the Netherlands Embassy. In addition, he is an Alternate Executive Director of the International Bank for Reconstruction and Development and the International Monetary Fund.

Until December 1, he will devote as much time as possible to the work of Treasurer of the Bank and thereafter he will be on a full-time basis in that capacity.

Business Man's Bookshelf

Commodity Exchanges and Free Marketing—A survey by the Institute of Public Relations, Inc., for The National Association of Commodity Exchanges and Allied Trades, Inc., 141 West Jackson Boulevard, Chicago, Ill.—paper.

Americans in Persia—A clinic for the New Internationalism—Arthur C. Millspaugh—Brookings Institution, Washington, D. C.—cloth—$3.00.

Suggested Bank Cost Accounting Procedure—Bureau of Business Research and Service, University of Wisconsin—$1.00.

Two With Mason, Moran

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—James D. Gordon and William W. MacLaury have been added to the staff of Mason, Moran & Co., 135 South La Salle Street.

McEwen With E. F. Hutton

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Wendell B. McEwen has become connected with E. F. Hutton & Co., 623 South Spring Street.

Fairman & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Walter W. Simpson and Charles O. Weck are now with Fairman & Co., 210 West 7th Street, members of the Los Angeles Stock Exchange. Mr. Weck was previously with H. R. Baker & Co.

Harriman, Successor to Wallace, Backs Truman Foreign Policy

Newly appointed Secretary of Commerce issues statement in which he says Mr. Truman and Byrnes are carrying on the high principles laid down by Mr. Roosevelt on the road to peace.

W. Averell Harriman, successor to Henry A. Wallace as Secretary of Commerce, in London, where he was serving as U. S. Ambassador to Great Britain, issued a public statement on September 23, in which he expressed pleasure for the opportunity to join Mr. Truman's Cabinet as Secretary of Commerce, a department with which he had been previously connected in an advisory capacity, and stated that he fully supported the foreign policy of the President and Secretary of State Byrnes.

W. Averell Harriman

The text of Mr. Harriman's statement follows:

I welcome the opportunity of joining Mr. Truman's Cabinet as Secretary of Commerce. I know the department well, as I was an active member and then chairman of the business advisory committee of the Department of Commerce during Mr. Roosevelt's first two terms.

During the past six years, in representing Mr. Roosevelt and Mr. Truman on various missions, I have had the opportunity to learn at first hand of grave economic problems that face the peoples of Europe and Asia. They look to us with hope and faith for help and moral leadership.

In playing our part in world reconstruction, the development of a stable and expanding economy at home is of primary importance. Expanding peace-time productivity in the United States, available for the needs of all our people and for export as well, is the essential and sound foundation of prosperity and happiness at home and for our ability in co-operation with other nations to offer a continuing helpful hand to people of the world.

It is an essential base for the lasting peace that all peoples crave.

I fully support the foreign policy of Mr. Truman and Mr. Byrnes who are carrying on the high principles laid down by Mr. Roosevelt. There lies the road to peace.

Paper Output at 105% Basis--Paperboard at 101%

United States paper production, exclusive of newsprint, was at 105.1% of capacity for the week ended Sept. 14 compared with 86.7% in the preceding week and 94% in the corresponding week a year ago, the American Paper & Pulp Assn. reported on Sept. 23.

Industry capacity is based on a six-day week and many mills currently are operating on a seven-day schedule.

Paperboard production was 101% for the current week compared with 83% a week previous and 96% a year ago.

J. Barth Admits Dimond

SAN FRANCISCO, CALIF.—J. Barth & Co., 482 California Street, members of the New York and San Francisco Stock Exchanges, will admit Douglas M. Dimond to partnership on Oct. 1.

Railroad Securities

Had the final stages of the railroad rate hearings been held a few months ago it is likely that the dire predictions of the various railroad executives would have been pretty much, if not entirely, disregarded. There would have been a tendency to dismiss them as a natural over stating of the needs of the carriers for increased revenues with which to off-set the vast increase in costs with which the industry has been saddled in recent years. As the market was in a very nervous state, and there had arisen considerable general apprehension as to the state of our entire economy, the publicity given to management testimony before the Interstate Commerce Commission was little short of catastrophic.

The most severe blow fell on Thursday when the president of New York Central and a vice-president of Pennsylvania had their say. That New York Central is in an unfavorable earnings position has been recognized by most railroad analysts for some time. However, the most pessimistic have not visualized any such figures as presented by the management as estimates for 1946 and 1947. These estimates show a net operating deficit for 1946 before Federal income taxes, and a net loss of close to $12,000,000 after tax carryback credits and fixed charges. Even if the entire rate increase requested is granted the management estimated a net loss of $18,652,000 for next year, indicating coverage of not much more than half of fixed charges. On the basis of present rates the management estimated a net operating loss of close to $41,000,000 and a net deficit, after fixed charges, of nearly $69,000,000.

From a psychological point of view the Pennsylvania testimony was even worse. A road with an unbroken record of profitable operations and dividends for 100 years finds itself with a prospective 1946 deficit of $14,616,229 after a tax carryback credit of roundly $19,000,000. Moreover, the management estimated that even with the entire freight rate increase requested there would be a net deficit next year of $9,370,000. As with New York Central the management visualizes a very substantial net operating deficit next year on the basis of the present rates. The full significance of these figures is obvious when it is realized that in all railroad history very few roads, and then only the very weakest, sustained net operating losses in any single year. Even granting that estimates under the circumstances would err, if at all, on the bearish side there is no question but that the estimates are highly discouraging to put it mildly.

Characteristically not so much publicity was given to more favorable estimates made by some other managements, nor did the market pay attention to the fact that many railroads admit that the outlook promises profitable operations. Santa Fe, for instance, estimated that without the benefit of any tax carryback credits it should be able to earn more than $11.50 a share this year. Even with no further increase in rates above those now prevailing the management estimated some net income next year. With the full increase requested, a condition under which Pennsylvania estimated a sizable deficit, the Santa Fe management visualizes earnings of around $7.50 a share on its common.

Chesapeake & Ohio, Union Pacific and Northern Pacific are also roads which do not expect to have the advantage of any tax carryback credits this year but estimate earnings available for their common stocks. These roads will also show earning power next year on the basis of the requested rate increases. Their estimates for next year were $13.75 for Union Pacific, $3.23 for Chesapeake & Ohio and $1.28 for Northern Pacific. Great Northern estimated a satisfactory net income for 1946 even without the tax carryback credit and with the credit expects to earn $6.65. If the rate increases are granted the road expects to show $6.67 a share next year. Other roads expecting to show earnings on their common stocks both in 1946 and 1947, granting the rate increase, are Baltimore & Ohio, North Western, Southern Railway, Southern Pacific and Illinois Central. Obviously the situation is not hopeless.

Young Pleads for Railroad Investor

Board Chairman of Alleghany Corporation sees widespread railroad bankruptcy if rates are not increased. Cites 50% rise in labor costs and attacks ICC pessimism in reorganization plans.

Robert R. Young, Board Chairman of Alleghany Corporation, in a press conference on Sept. 20 in New York made the following statement:


Robert R. Young

Every citizen has a direct or indirect financial interest in the American railroads. Yesterday and again today the market prices for their bonds nosedived into new low ground for this new bear market under the impact of testimony before the Interstate Commerce Commission to the effect that the railroads face the 'worst financial showing in history' in 1947. The reason for this bankrupt showing by the railroads is that wages and other costs have been allowed to increase roughly 50% while rate increases have been held to a pittance. Anyone who has a life insurance policy or a savings bank deposit should be deeply concerned in this financial fact.

"Every citizen, in addition to his financial interest in the railroads, is concerned in the national safety. The war has demonstrated that the adequate maintenance and technological advancement of the railroads is as essential to defense as the army and navy. Consequently, this situation in which a dollar invested in a sound railroad property is not as good as a dollar in the bank is as dangerous to our physical safety as it is to future employment.

"Before the recent panic in railroad security prices they had already been selling at bankrupt levels. For years Washington has been starving the railroad investor in order to curry political favor. Proof of this lies in the fact that freight rates today are no higher than they were 20 years ago while everything else has nearly doubled.

"Not only has the railroad security holder been held unjustly to a beggarly return but over $2 billion of his securities are being arbitrarily wiped out by present Commission reorganization plans. Congress has found this action by the Commission to be without sound justification. This arbitrary action by the Commission is all the more questionable because the Commission itself in approving their sale to the public found them to be in the public interest. *And the Securities and Exchange Commission has been set up to look for security frauds in Wall Street!*

"The members of the Interstate Commerce Commission who have now forced the railroads to come to them with predictions of calamity at the very moment the market is tottering under a deluge of crises, at home and abroad, may think that they are being politically smart, but actually they are striking blows at our economic system from which it may never recover.

"The chief purpose of the ICC as created by Congress is to maintain rates that will provide a sound transportation system. In this they are flagrantly failing as well as flouting the instructions of Congress. If public opinion continues to let its servants get away with this kind of stewardship, predicated upon political maneuvering, then we do not deserve to be free.

"This statement is made without party partisanship since Republicans sit on these bureaus as well as Democrats."

* * *

Answering reporters' questions, Mr. Young said that in his opinion the ICC would risk bankrupting the national economy to prove that it had been right in its pessimism of 1937, when it set up its plans for reorganization of its so-called bankrupt railroads. He further stated that it was ridiculous to have an agency guiding a major industry when it had no faith in that industry.

"The present situation is not the fault of organized labor. The railroad brotherhoods have supported the rate increases. This present delay is the fault of bureaucratic obstinacy in Washington."

There have been no rate increases during the time when other bureaucrats have granted three general wage increases, Mr. Young pointed out. The price of everything the railroads buy have advanced 70% since the last freight rate increase was granted in 1939, he added.

In reply to another question, Mr. Young stated unless public opinion is mobilized against this force of government meddling "the present bear market may well be the last gasp of the capitalistic system." He pointed out that it has always been possible in a free enterprise system to constantly increase wages while constantly reducing the costs of goods, but that "such things are impossible when restrictions, artificially imposed, upset the normal system of economic checks and balances."

Hirsch & Co. Holds Dinner Dance for Firm

Hirsch & Co., 25 Broad Street, New York City, members of the New York Stock Exchange and other exchanges, held their annual affair in the form of a dinner-dance at the Park Central Hotel, Sept. 19. The dinner took the place of the firm's usual annual picnic and was attended by a large number of members of the firm, employees and their friends. A show, presented by professional entertainers, was the highlight of the evening.

We Are in a Bear Market!

(Continued from page 1533)
unusually long — the Dow-Jones industrials selling at 20 times 1945 earnings and 18 times projected 1946 earnings, with excess profits taxes eliminated, raw material prices way outrunning finished goods prices, the failure of volume of transactions on the March-May strength to equal those of November-January, indicating declining absorption power, coupled with a stickiness in the heavy new financing of the first six months of the year.

In a Bear Market

We are in a bear market. Of that I think there is no question. That, however, does not preclude substantial recoveries following precipitate declines — recoveries perhaps sufficient to restore courage and result in renewed widespread optimism.

In my opinion, however, any one who will allow himself to be lured into a renewed faith in a protracted period of prosperity—the faith that was so prevalent up to a month ago—by any such recoveries, will again be making a bad mistake.

One of the fundamental causes of business recession — business readjustment—is the development in a period of prosperity of maladjustments between individual segments of the economy. The dominating cause of the current bear market is the serious maladjustment between individual incomes and costs. The rapid advance in prices is killing markets. The damage has already been done. It is not something in the future—it is actual—and additional wage increases over the next few months will aggravate this situation.

One fact that many people have overlooked is that costs in enterprise generally have risen so much and are so rigid that it will take a much smaller decline in volume of business than in the prewar period to markedly reduce and even eliminate profit margins.

It is not necessary to have a business depression, in the accepted use of that term and based on prewar standards, to raise havoc with the earnings of industry. Business is 75% above prewar normals. A decline to 25% above would still be prosperity, so-called, but what it might do to profit margins is another story. That is a point which in my opinion is being grossly neglected.

The Portents of Stock Market Collapse

Disregarding past attitudes, regardless of whether one has been a bull or a bear, it is the height of danger to brush aside, from either a business or a stock market standpoint, the portents of the stock market collapse.

To me it seems that those who would counsel otherwise, who say that it is impossible to find real basis for a major downswing in either business or stock prices, are assuming a responsibility which careful men ought not to assume.

Now I fully recognize that in economics there is no sign whatever which is infallible, but when you have experienced a phenomenon which in the past in all but very exceptional cases has been followed by certain developments, it seems to me that action and honest counsel to action can only counsel prudence.

I know, just as well as anybody else, that people as a whole like to hear pleasant things, like to be optimistic — except unfortunately in a period of depression, when I have found from experience that, strangely, you have to fight to get optimism into them.

There is, therefore, a natural tendency even on the part of counselors to give people what they want, but the difficulty is that it is likely to eliminate prudence.

I have for some time stated that, looking long ahead, I can readily see in this country a protracted period of sound reconstruction prosperity. To think, however, that that would immediately follow the end of the war has seemed to me to be the height of folly. In existing conditions we have no sound basis for it. To prepare the groundwork for a reconstruction prosperity, we have got to go through a period of readjustment. What I am giving you, then, is by no means a "gospel of despair" but rather a counsel for prudence —particularly in any subsequent period of enthusiasm.

Shortages Exaggerated

You will hear much probably about shortages. War disrupts and interrupts the processes of production and distribution. So, war endings are attended by shortages. Some of these are real, some are only apparent. Most are in some degree real and in some degree apparent. All cause rising prices. But they set in motion counter forces which unfortunately we have a pretty consistent record of minimizing.

Many are overlooking the tremendous productive facilities built up in the past five years. Regardless of that, however, and purely on the basis of shortages, it should be remembered that there is a tendency for short supplies to go into hiding, so that total stocks appear to be less than they are. With that comes an almost inevitable over-estimation of demand.

Actually, the line between shortages and surpluses in most goods in this country is not wide, but relatively narrow. History furnishes ample precedent for a pattern of postwar shortages soon succeeded by sufficient supplies, if not over supplies.

Please remember that as far as I am concerned these are things I dislike to stress now after the stock market has lost 40% of a four-year advance in three months. They are things that I have been stressing previously and they are things that I want you to bear in mind in subsequent periods of stock market recovery.

Broadly, looking ahead, it is my opinion that under rising prices we will see consumer resistance develop. Under such conditions goods cannot move and employment cannot be sustained at the present level. A readjustment seems inevitable.

At least it seems to me the sensible thing is to recognize such probabilities—as they have ample basis for recognition historically. If you have not been prepared for what happened in the stock market, at least be prepared for what may happen in business.

Deflation Not Inflation Ahead?

You will probably also hear considerable about inflation. Let's look at it a minute. Wars are inevitably inflationary. Yet how hard it was to get people to operate on that basis in the winter of 1941-42. Now, with the war over, inflation has the headlines. Yet, the normal progressive and technological force of peace is deflationary, not inflationary.

We have of course increased our outstanding monetary stock tremendously. While naturally the effects of that persist, an equally important fundamental consideration is that, with the war's end, it has largely ceased.

Inflation, rising prices, is bullish on the residual in enterprise—common stocks—only as it increases margins of profit. By and large, current inflation is doing no such thing.

It is a great mistake, in my opinion, to buy stocks in a boom on the basis of increased replacement values. It is earnings, not invested capital, that counts.

Wartime Production Wastefulness Continues

During the war we had to have vast quantitative production, no matter how it was obtained—wastefully or not. As a result of that, and quite naturally, the wastefulness of war has been carried over into peacetime production to a considerable degree. Individual productivity of workers, measured by industry-wide averages, has declined. With the output of both men and machines declining, production costs per unit have risen and prices with them. That is not a basis for protracted prosperity.

I could discuss this at length, but my time does not permit. Suffice is to say that the principal rise in the cost of living from now on promises to be in processed and manufactured goods. The main responsibility for the rising cost of manufactured goods falls on the combination of wage advances and decreased efficiency. The time to have averted it was last winter, when excessive wage increases were put into effect. The way to stop it now and to eliminate consumer resistance is to increase efficiency—to increase productivity.

Look at the general labor situation, consider the attitude of individual workers and you can tell me just as well as I can tell you what the prospects are of that, without a period of considerable readjustment.

Conclusion

Broadly then, the current general business and economic situation is distorted and vulnerable. The country is moving in a dangerous rather than a sound trend Commodity prices are in a vulnerable position. In price control politics has been substituted for economics.

Although the purchasing power of the factory worker and the farmer has been raised to the highest levels in history, their gains are illusory for each increase has forced the cost of living higher, remembering that union workers amount to only about one-fifth of those gainfully employed, with resultant diminished purchasing power for the economy as a whole.

Actually, the rise in the cost of living may, by the end of this year, exhaust the savings of those in the lowest 60% of the spending group. With the majority of people expecting price advances many have already anticipated the trend with forward buying.

Many American corporations for the balance of this year and into 1947, should experience gross revenues in excess of anything seen before the war. But, under continued regulation and continued labor-government domination, the overall profits from this business will in my opinion be below expectations that have been prevalent, at least up to the past few weeks.

We are in a lush period, with artificial props supporting many segments of our economy. An abnormally high and fragile price structure has been created.

New Vercoe Partner

John L. Newburger, member of the New York Stock Exchange, will be admitted to partnership in the Exchange member firm of Vercoe & Co., on Oct. 1. He will make his headquarters at the firm's New York office at 1 Wall Street.

Securities Salesman's Corner

By JOHN DUTTON

Creative ideas are the most valuable stimulants of business—but your ideas must be based upon a sound foundation. If you can devise a plan of action that is based primarily upon the beneficial effect that it will provide for your customer, you are on the right track. Properly presented such an idea will create business.

Here is a case in point. What do we see today? After four and a half years of advancing prices, a decline has cancelled out about 40% of this rise during the past three months. Many of your customers are bewildered. Some are completely at a loss to know what to do with many of their holdings, especially those which have been acquired lately, such as the new issues that have flopped so badly marketwise. All of this presents AN OPPORTUNITY FOR YOU TO DO BUSINESS.

Here is a sound approach which has as its foundation, placing the customer's welfare first. Check up every account that you have in your office. Make a note of the short-term profits taken this year and list them . . . also long-term profits. Analyze present holdings and see if some loss sales for tax purposes can be made to offset profits. Select other comparable situations that can be repurchased at current levels. This provides you with sales, and new purchases, by your customer, wherein both his position will have been benefited as well as your own. Be careful though to make your switch into strong situations: those which have demonstrated market action that compares favorably with the security which is being sold. This is very important, otherwise your customer may some day take you to task in the event that the security he sold has a sharp rally and the one you suggested lags behind. Market sponsorship is still a factor to be considered at all times . . . stocks don't go up, **they are put up.** By this we don't mean they have to be manipulated in order for a rise in price to take place. . . . SOMEONE MUST BE INTERESTED IN SEEING TO IT THAT OTHERS BUY. . . . STOCKS DON'T SELL THEMSELVES.

But to get back to selling this idea to your customers—here is where you will have to use the right approach. If you make your interview important . . . if you dignify it with a telephone call to arrange an appointment . . . and if you eliminate the least hint of an apology in your own mind for what may have happened to some of the securities you have sold to your customer as far as concerns their decline in price . . . you are on the right road. Don't for one minute allow your customer to put you on the defensive. . . . don't tell him you do not make the market, or that old wheeze, "if I had a crystal ball I wouldn't be in Wall Street." Don't evade and don't equivocate; you don't have to do this. Remember it is not whether you are richer ON PAPER one month, and poorer ON PAPER the next that is important, but it is important where you are going to be over the longer term that matters. That is all you have to say. It is the truth, isn't it? Think it over for yourself. What are we selling in this business besides pieces of paper that fluctuate from day to day? Are we not selling preservation of surplus assets, and the creation of larger assets, so that people can have more security and LIVE BETTER? What are we doing when we present a plan such as this where we are helping people to pay LESS TAXES, so **that they will have more assets for themselves?** We are helping them to live better, and the more we can accomplish along these lines the greater will be our own rewards both in bull and bear markets.

Lumber Shipments 6% Below Output in Sept. 14

Lumber shipments of 421 mills for the week ended Sept. 14 fell 6.0% below production and new orders dropped 7.0%, the National Lumber Manufacturers Association reported on Sept. 21. In the preceding week, lumber shipments of 408 mills were 2.9% below output, while new orders showed a decline of 5.7%. For the week ended Aug. 31, shipments of 401 mills were 14.4% below production, and new orders 15.6% below.

Unfilled order files of the 421 mills reporting amounted to 64% of stocks.

For the year to Sept. 14, shipments of reporting identical mills exceeded production by 1.8%, and orders by 0.3%.

Compared to the average corresponding week of 1935-1939, output of reporting mills was 6.9% above; shipments were 6.6% above; and orders were 1.0% above.

Mutual Funds

What They're Saying—

Selected Investments Co.—(President Edward P. Rubin)

"Time has proved that active business, rising earnings and increasing dividends do not necessarily produce rising stock prices. From 1939 to 1942 we had excellent business, very good earnings and dividends. Yet stock prices declined drastically. Just as war and tax fears were the real answers to stock prices in that period, it is conceivable that an unhealthy international situation, combined with bad domestic labor leadership and fears for the permanence of the boom, could be the real answers now. . . .

"On the other hand, a violent downward intermediate trend in the market does not necessarily forecast a major business depression or even a protracted further decline in stock prices. There have been previous occasions when such stock market breaks have stopped far short of anything which could properly be regarded as a bear market.

"We don't want our thinking to be dominated exclusively by what seems to be a good business outlook, nor should it be dominated by a mechanical theory of price trend.

"Yet we must be careful not to disregard either. They are both important.

"Weighing one thing against another, we believe the following are the probabilities:

1. It is unlikely that this market decline will be accompanied or followed by a serious and prolonged depression in business.
2. There are still definite price risks on the down-side, now or in the intermediate future.
3. Pronounced and extended rallies, from present or somewhat lower levels, are probable. Election hopes, good third quarter earnings, rising fourth quarter dividends, might be the reasons.
4. Enough damage has been done to investor confidence to indicate that considerable time must elapse before the stock market again resumes an upward trend.
5. Once a sustained new upward trend is initiated, the market will have new leaders. Many of the old favorites are through, for this cycle.

"These are tentative conclusions. They may be modified as new facts develop. But for the time being we believe they are conclusions of sufficient merit to be the basis for investment action."

Wellington Fund — (President Walter L. Morgan)

"We do not know whether the market may go still lower before strength reappears or not. Independent investment authorities with whom we have contact, state firmly that there is no basis for thinking conditions today parallel those of 1929 or 1937. They recognize that the current markets are thin but their best analysis leads them to the conclusion that major trends are still on the constructive side and that good timing of purchases over the near term will later result in profits."

George Putnam Fund—(Trustees Putnam, Werly and Osborn)

"The fact of the matter is that the American people are aggressive and temperamental. As a nation we work hard and take chances. The result of this is alternating periods of great optimism and equally great despair. After winning the greatest war in history it was only to be expected that the relief in getting it over with should generate optimism. The only wonder is that it has taken so long for the other side of the picture to show itself.

"It is easy enough to blame the Russians and their attitude toward Peace Treaties for our troubles, or if one is more concerned over our domestic picture to say that the bureaucrats in Washington do not understand the problems of the businessman. Perhaps labor leaders in their anxiety to get more than their share for their union members also fail to appreciate that in the long run people can be paid only for what they produce. There is no doubt that these various depressing situations are with us today. At the same time, have we not always had similar things to worry about? And is not the real answer to the present day situation found in the up and down temperament of the people of this country? . . .

"Whether what we have been through this summer has completed the downward swing or whether it is merely one step in a longer chain is a question that cannot be answered today. However, with so much business to be done in the next few months, it seems probable that the market may already be tending to overdo its pessimism."

Distributors Group — (Investment Research Department)

"The worries which caused owners of common stocks to sell in such volume as to bring average prices about 20% below their peaks for the year are not new worries. Most of them have been with us for a long time—perhaps in even more worrisome form than at present. But mass sentiment has its own laws of motion. It will ignore bad news during a long period of optimism, and then optimism will tire. Pessimism will ignore good news—and then ultimately tire too. . . .

"In perspective—as predicted long ago—our economy is moving, necessarily, toward a permanently higher level of prices and wages. This is inescapable. It is not, in itself, unfavorable to invested capital. The process is highly complex. It is impossbile for it to proceed smoothly for there will *always* be temporary dislocation in *parts* of the economy and occasionally a severe and general setback.

"We have just witnessed a *general psychological set-back*, nothing more. It is not a turn in underlying trend. Because it is psychological its duration is not predictable, for it does not tie in to any measurable economic facts. Unsettlement in the stock market may prevail for some weeks, or may suddenly give way to renewed optimism.

"All that can safely be forecast is that our greatest period of prosperity is ahead, not behind us. The 'pipelines' (inventories of manufacturers, wholesalers, retailers) are not yet filled, the accumulated demands of consumers not begun to be met. Capital goods industries have been bedeviled by strikes of their own, strikes of suppliers, shortages, etc. They are only now approaching the point of sustained operation at a high level. Only as that point is reached will maximum earnings be possible, earnings which in many cases should justify much higher than present market prices for common stocks."

National Securities & Research Corp.

"Regardless of the technical definition of the recent market decline or what caused it, the fact remains that it erases all the gains of 1946 and part of those made in 1945. Today's prices call for a reappraisal of clients' accounts and give the investment dealer an opportunity to provide the type of professional guidance which will mean more satisfied customers."

Delaware Fund — (President D. Moreau Barringer)

"One can find as many causes for the violent decline of last week as people to voice opinions. Whatever the cause is, some of the results may be susceptible of definition. The new issue market, which had shown signs of serious glut for quite a while, has been effectively stopped by this decline, and can only be revived by the offer of definitely higher returns on new securities, or an unexpected and radical reversal of the market trend. Upon the successful flotation of new issues depends part of the capital expansion which is required to build the present business boom up toward an orthodox climax. It is only the exceptional corporation which can finance important plant renovations and additions out of existing cash. The large majority will have to depend on new money from the public, and if the new money is not forthcoming, there will be an important lack of industrial expansion and employment."

Institutional Shares — (President Emlen S. Hare)

"Some financial writers have likened this reaction to that of 1937. In this we do not agree, in that *prior to the 1937 reaction the banking figures showed clearly a disintegration of basic conditions*, with the public, *unlike today*, curtailing its spending at the same moment that manufacturers were optimistically expanding inventories and output. We suspect that the extent of this decline has been very much magnified as a result of the 100% margin and other restrictive government legislation, which, while intended to stabilize markets, has instead resulted in *"thin" markets*, with the result that intermediate market declines and appreciations will undoubtedly be far more sizable than prior to these restrictions. If, however, we are correct in our analysis that the basic long-term trend of stock prices continues to be upward, exaggerated moves on the ups and downs will not alter this long-term trend."

Inflation with Jerks

(Continued from first page)

annually, and an all-time record of almost $20 billions is the construction prospect for 1947, an instalment on the long-run planned boom in housing.

A *security market debacle in the midst of inflation is a paradox.* The early years of World War II offer the nearest analogy. While the foundations of the present currency inflation were being laid, in 1940-42, and prices took their first upward spurt, stocks were dragging along the bottom. Of course, it was a period of rapidly increasing taxation and regimentation, while taxes have been reduced this year, and wartime regimentations relaxed.

The unorthodox character of the current market decline is shown by the simultaneous weakness of bonds (as in the first months after Pearl Harbor). If people expect a depression, they turn to government bonds as the one safe investment (except in an acute panic, in which banks fail). Normally, morever, a stock market break is accompanied, or rather preceded, by a decline of real estate values and of basic raw material prices—both of which are moving now in the opposite direction. No depression has ever broken out under cheap money conditions as are prevailing at present, nor did a similar market break occur before without any visible disturbance of the credit structure.

The sequel to the boom is depression—but this time not of the kind of automatic sequel we have known under the rule of the gold standard. The sequel has to be brought about by man-made deflation.

Normally, the boom breaks when the stoppage of gold imports, or the onset of gold exports, spells an end to credit expansion and actually forces credit restrictions. No such automatic compulsion operates at present. Under the gold standard, prices cannot rise beyond narrow confines without most severe repercussions, because the tightening monetary base limits the available purchasing power. Our "managed" money system, on the other hand, is virtually divorced from limitations set by gold reserves; the increase of mass incomes parallels the rise of prices so that both can proceed indefinitely — until an artificial deflation stops both. That is bound to come some day, but the day is still distant. In the meantime, short-term profit expectations which govern the stock market, depend on more than "supply and demand." Postwar economic policies, internal and external, are still in the makeshift stage. They are sheer adaptations to political pressures and other circumstances. The mixture of ideological exuberance and practical incompetence has sharpened rather than solved the overhanging problems, until at last showdowns become unavoidable. The insecurity of capital valuations reflects the uncertainty about these forthcoming showdowns on basic policies.

Showdowns are forced on the evasive politicians on four closely interrelated scores, each of fatal significance: (1) How to handle the wage-price muddle; (2) What to do about the incumbent credit expansion (secondary inflation); (3) How to "manage" the national debt—to avoid its monetization; (4) How to deal with Russia.

The Wage-Price Showdown

American business and investors entered the new postwar era in an atmosphere of bubbling enthusiasm. The unprecedented corporate liquidity and pent-up demand, the vast consumer buying power and the equally vast reconstruction need of the outer world, plus fantastic governmental guarantees and subsidies, added up to an ultra-bullish outlook. The country's magnificent capacity to produce and its brilliant technical know-how would provide for all needs, and would do so at higher wages as well as at stable or even falling prices. The first strike wave did not dampen appreciably the optimism; it was considered as bound to pass with the transition. So were price regulations and other unpleasant interferences.

The recurrence of strikes and strike threats, under obvious protection from above, renewed OPA and ICC interventions of an uneconomic nature, a progressive decline of labor productivity, etc., could not fail to disappoint the optimists. Under inflation, instead of being overcome by production, *shortages must grow more and more intensive.* As this writer pointed out in Jan. 31, 1946, issue of the "Commercial and Financial Chronicle" (in "The Elusive Dream of Full Production"):

> The most important indirect source of "shortages" is labor trouble, which is essentially a consequence of the monetary inflation, too. Swollen pocketbooks, due to the wartime inflation, strengthen the self-confidence, bargaining power, and fighting will of the working men and of the unions. The more so since labor is aware of the vast accumulation of pent-up demand backed by ability to pay (another consequence of inflation) and naturally wants to insure its own share in the pie. The distortion of "relative" wages—disproportionate rise in one category as against the other—adds to the smoldering dissatisfaction and sharpens the class-consciousness. All of which leads to industrial strife, fanned by irresponsible political factors, which in turn reduces production and causes more shortages.
>
> The wave of strikes will be followed by more waves of strikes. The probability that new wage contracts will be negotiated in the next few months will not inhibit more strikes or slowdowns to follow because the working man, faced with a progressively lower purchasing power of his wage dollar, will be quick to realize that he is not getting what he really bargained for. Labor will not be satisfied with any fixed wage as long as price inflation continues, even at a slow pace.

Now, it has become evident that inflation and labor trouble go together. Costs keep rising, with new wage-raises a certainty. Will public opinion permit promptly equivalent price increases? If not, strifes must result, which may be temporary in each case, but their recurrence disturbs profit expectations and compels caution. That is the prime reason for the shock which stock quotations registered (and which had naturally little or no effect on the real estate market). Additional shocks enhance the propensity for retrenchment.

"Tragedy of the Answered Prayer"

The artificial stiffening of commercial short-term interest rates since February would not have affected the immunized government bond market[1] had it not been for the fear generated by official double-talk that the rates may be raised further. In reality, the debt management is caught on the horns of a dilemma. The Cheap Money policy succeeded too well: "Guaranteed bond prices . . . remove the risk of price declines in long-term securities, and long-term rates tend to fall," instead of being stabilized as intended. But then the monetization of the debt cannot be halted. This has been aptly called "the tragedy of the answered prayer."[2]

The dilemma of the Managers is insoluble: if they keep up the bond-price guarantee, the rates will decline further and promote more inflation; if they relax it, the rates rise and the bond market is bound to collapse, necessitating support by further money-printing. The choice of the lesser evil should not be doubtful. But the worry that an experimental-minded bureaucracy might try the impossible — a new bond price stabilization below par — short-lived as it would be, adds to the bondholders' jitters.

Credit Control

A third consideration that frightens the prudent investor is the threat of credit control. Here, too, the Managers are faced with the dire fact that their objective—to stop further inflationary credit expansion—could be accomplished only at the price of wrecking prosperity. They have all the powers to determine the quantity and direction of the credit flow, but cannot use the powers effectively without causing a depression.

Certain as it seems that no drastic curbing of commercial loans is in the offing at this juncture (to say nothing of curbing the government-sponsored mortgage loans), experiments in "qualitative" control may be undertaken, as indicated by the recent re-introduction of mild checks on consumer credit. But, if for a while Mr. Eccles should have his way, abortive experiments with somewhat more drastic restrictions might occur.

War?

Lastly, the fear of war with Russia is also a factor. A war should be "bullish," both on the financial side and because it would result in destroying bolshevism abroad and at home. But there is a reverse side to the picture. The inflationary effects, coming on top of the previous, would be so devastating as to justify rigid regimentations, high taxes, and even capital levies.

However there is no danger of an armed clash with Russia, not in the near future. For one thing, the Soviets are likely to give way rather than to fight a war that could only end with disaster to them. For another, the Anglo-Saxon nations lack the moral enthusiasm for action, the insight into the necessity of a showdown in their own interest, and the determined leadership to force a just and lasting peace down the Soviet throat—at the (probably non-existent) risk of a conflagration.

As a matter of fact, we are continuing to appease the Soviets. The Stuttgart speech of Byrnes means merely that we shall reconstruct the Allied zones of Germany and also—as General Clark announced since—in Austria. That is our inimitable way to save Europe from bolshevism (bolstering, incidentally, our own boom). What the reconstruction of Central Europe, including Italy, means can only be understood if one realizes that she must be re-equipped from abroad with at least $10 billions worth of equipment and inventories. In the meantime, her population of 100 millions must be fed, clothed and housed, at an additional annual cost of several billions.

As to Wallace's stab in Byrnes' back, originally meant for purely internal consumption (implying Wallace's bid for the Presidency), it means more than a showdown between left and right in the Democratic Party — a showdown that is likely to be postponed until after the election. It has a deeper political meaning, so much so that one might suspect that it had been pre-arranged. The fact is that Byrnes' tough-speaking and soft-acting appeasement policy arouses increasing opposition in the country. The Wallace-Pepper attack against him will rally his critics with his followers, and permit him to proceed with appeasement by blaming it on the left wing at home. The net result will be, anyhow, the *de facto* consent to Russia consolidating her power all over the occupied countries, possibly against Russian "concessions" at the Dardanelles and Trieste, in which area she had no business at all, and probably never expected to get anything. The damage done by the Wallace crowd to international unity, the encouragement of Russian imperialism, etc., constitute a dark chapter in American foreign policy.

Profitless Inflation?

Discounting war fears as altogether premature, there remains the fundamental fact that a managed inflation is not an unmitigated source of profits, especially under an Administration influenced by anti-capitalistic pressure groups, and in view of the forthcoming expiration of E. P. T. refunds. For a while, at any rate, full employment and rising prices may proceed at declining or low net returns to shareholders. But for a while only. Already, the weakness of the capital market reduces the flow of capital into ventures essential to the upkeep and expansion of the productive apparatus. Unless profit chances are restored, employment and output will slump, and a political reaction will set in. It did already, and chances are that *many controls will be lifted* after the elections, if not before.[3] With the credit system untouched by the slump on the security markets, mild doses of favorable news might suffice to carry stocks to new highs.

New Kind of Cycle

But, we may expect *sharp cycles within the inflation period* itself, especially so in terms of *equity valuations.* They *may fluctuate in an unprecedented fashion,* while the unrelenting inflationary fever will continue to shake the body economic by shortages, class conflicts and other tensions. A new kind of cyclical fluctuations is what we are up against, as in all major inflations. They consist of violent gyrations in speculative markets, according to the prospect of "political" interference with profits. At some point, they will be further sharpened by the vagaries of capital flight: if and when the public awakens to the conviction that the price structure had been inflated for good, with no chance left for a return to anywhere near the pre-inflation levels. So far, our security markets still think in terms of the next quarter's earnings reports. The fear of a permanent depreciation of the currency's purchasing power, which is prevalent in Europe, has not permeated as yet the capitalistic thinking of this nation. That is why Wall Street is so much more "sensitive" than the far more exposed Royal Exchange, Paris Bourse and Amsterdam markets are.

Ultimately, a painful stabilization will have to be accepted, presumably on much higher levels of commodity and equity prices than the present ones, and at reduced real incomes for broad sectors, if not for everyone. That is the unavoidable sobering-up after an inflation orgy.

1 The Secretary of the Treasury pointed out that the firming of short-term commercial rates—brought about by the Reserve Board's action in effectively raising the rediscount—is not expected to have any "real repercussions" on Federal fiscal policy. ("Wall Street Journal," July 18, 1946.)

2 By C. C. Abbott, **Management of the Federal Debt,** 1946, pp. 52-53.

3 Including lowering margin requirements on brokers' loans. The widespread theory that the 100% requirement is responsible for the slump, in part at least, is an unusual exhibition of naivete in economic matters, coming as it does from otherwise well-informed sources.

Crude Oil Production Off in Sept. 14 Week

The daily average gross crude oil production for the week ended Sept. 14 was 4,733,250 barrels, compared with 4,799,950 barrels per day in the preceding week and 4,833,450 barrels per day in the week ended Aug. 31, according to the American Petroleum Institute. During the week ended Sept. 15, last year, average daily production was 4,537,900 barrels.

Gasoline production, the Institute states, amounted to 14,796,000 barrels during the week ended Sept. 14, 1496, a decline of 467,000 barrels from the preceding week, while gasoline stocks declined 93,000 barrels during the week to 86,818,000 barrels.

Reports received by the Institute from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mine basis approximately 4,892,000 barrels of crude oil daily, as against 4,881,000 barrels per day the week before.

Stocks of keroesene increased in the Sept. 14 week by 671,000 barrels to 20,032,000 barrels, stocks of distillate fuel was up 1,483,000 barrels to 56,204,000 barrels and stocks of residual fuel oil jumped 950,000 barrels to 55,736,000 barrels.

Thoughts on Retail Outlook

(Continued from page 1531)

of independent drug stores have also grown faster than sales of chain store drug outlets.

There were 52,200 drug stores as of September 1939, but the total declined during the war period and the estimated number as of Dec. 31, 1945 was 50,300.[1] About 4,200 stores discontinued business during the period from Sept. 1941 to Dec. 1943; and it is estimated that about 1,300 new stores will be needed to restore the wartime loss.[2] Many new stores have been established in 1946 and the time is not far distant when the number of outlets will equal or exceed the best pre-war record.

Will Expansion Continue?

Obviously, it would be a mistake to assume that the great expansion of sales during the past eight years is likely to continue without serious interruption; or that the time will not come again when this industry is beset by severe competitive problems, created in large measure by the influx of new and relatively inexperienced merchants and by older members of the trade who have followed many unsound policies in the lush days of this great expansion business. We forget or fail to follow prudent merchandising practices when business is easy to get. The drug store merchant is no different than merchants in other lines of trade whether they operate in great retail organizations or in small outlets under their own ownership.

Probably the most ancient precept of good management is to prepare for the lean years when the harvests are abundant. But the rule is forgotten or ignored and every generation of business men seems to have to learn by repeating the mistakes of its predecessors. Our business annals record the failures of those who did not follow the time-worn rule or who thought that they would be smart enough to anticipate economic troubles before their competitors. No small part of these failures arise because our educational system tends to over-emphasize political history while business history is mostly a closed book. But every careful student of business knows that eight years of business expansion certainly warrants some pretty serious thinking about the business future.

Previous Postwar Experience

Forecasting the future of business is an uncertain and imperfect art in which success often comes as much by good luck as by shrewd appraisal of business trends. In the current situation, perhaps the best rough guide is the trend of business after great wars. Economic literature is replete with descriptions and theories of business booms and depressions, and the factual materials for scientific study are better than they were prior to 1914. But the reasons why business men decide to expand or contract operations at particular times are often hard to explain or understand despite great care in economic analysis. The psychological basis of business expansion and contraction, the reasons for the changes in business attitudes or moods, remains a great problem. If we may assume that business actions and reactions to the economic strains of great wars have a similar psychological basis, then the history of business trends in postwar periods will give us useful clues to the probable course of economic activity. We know that there are many striking similarities.

An eminent American historian describes our recovery after the Revolutionary War in these words: [3]

> During a war, people have been denied many things they have been accustomed to think of as necessities, even though they really have been luxuries. With the coming of peace, every one thinks all will be normal again. . . . During the war many people of all sorts had made money. Farmers had gotten high prices for crops; privateers and others had made or lost fortunes; army contracts had yielded fat returns; many had gone into debt, farmers among them as usual; there were the new rich, ready to spend, as well as the new poor and a new crop of debtors; the same old story.
>
> So as always, when peace came, merchants stocked up and people bought for a while. The "while" lasted for two years after the signing of the peace in Paris in 1783. . . . But war profits are largely ephemeral, and war always destroys an immense amount of real capital. A readjustment is always called for. There is a primary depression. After that, with everyone trying to scramble back, there is a period of speculation and then the real crash. In our first war, we got it in 1791. . . .

After the close of our Civil War, there was a period of hesitation extending from April to November, 1865. Then the replacement boom got under way. It lasted until the end of 1866. During the next four years business oscillated around a normal level, but the following three years witnessed a great railway and industrial expansion that led to excesses and culminated in the panic of 1873.

The main features of the post Civil War boom have been outlined as follows: [4]

> The business recovery which began shortly after the disbandment of the armies was based primarily on the replenishment of stocks of goods—by individual consumers, wholesalers, retailers and manufacturers. People were intent on gratifying their long unsatisfied wants, even though it meant the liquidation of war bonds or purchases on credit. They thronged the trains, hotels, theatres, restaurants and stores, buying luxuries as well as necessities. The imports of dry goods in the fiscal year ending June 30, 1866 were four times as large as those in the previous year. Traders and dealers not only supplied consumer demands, but replenished their inventories as well. As a result of the tremendous volume of consumer buying, people flocked to the larger cities to engage in profitable trading operations, and the number of wholesale and retail establishments was greatly increased. Large cities experienced unusual growth. Residential and commercial building expanded rapidly in eastern centers. Inventory speculation was especially marked during the first nine months of peace, and the speculative spirit also extended to real estate and the securities markets.

After World War I, we had a then unprecedented debt of $25.5 billions. We had no problems of a disorganized currency such as characterized other postwar periods. Commodity prices had advanced sharply as in other war periods. There had been considerable conversion of manufacturing facilities to the production of war goods during hostilities, but nothing comparable to the scale in the recent conflict. Reconversion was a somewhat less difficult problem.

From November 1918 to April 1919, we experienced once again a period of great uncertainty; then a replacement boom accompanied by severe inflation which lasted until about the middle of 1920. The collapse in prices was followed by a depression extending into the first half of 1922; and after that, with some interruption in 1924, we entered the so-called "new era of prosperity" that finally culminated in the great stock market crash in the fall of 1929. The long depression of the thirties is now familiar history.

This brief historical sketch of business activity after our great wars indicates some of the powerful psychological and economic factors that dominate postwar readjustments. With sundry variations, parallels can be found in the economic history of other nations. No one can read the history of these periods of our national life without being impressed by the "moods of business men" and consumers when relief comes from the tensions of great wars and by the vast power of the economic forces at work to restore the war time deficits of all kinds of civilian goods. The broad pattern of postwar adjustment differs, of course, both in the duration of the phases and the degrees of expansion and contraction; but, on the whole it seems to be well defined.[5]

Postwar Economic Behavior

The most penetrating analysis of postwar readjustments distinguishes four principal phases: (1) a period of hesitation and uncertainty where business men stumble to get their business bearings; (2) a replacement boom in which the enthusiasm to make up the war deficits in civilian goods generally outruns itself; (3) a period of retraction and consolidation of the replacement gains; and finally (4) a considerable period of business expansion that leads to excesses that require sweeping correction in a severe secondary postwar depression. There is now no reason to believe that the main outlines of this pattern of action and reaction will be drastically different after this war. Our best hope is that a wise business statesmanship may be able to mitigate the extremes of these economic readjustments.

We may be sure that government will be compelled to take an important role because no small part of the motivating force behind private enterprise arises from the nature and character of governmental intervention in economic life. Some years ago, a group of scholars concluded that the chief contribution to scientific social thought after World War I was the improvement of governmental policies and techniques.[6] Perhaps a similar conclusion will be reached when the economic history of this recent war period is written. However, it is no part of our present discussion to survey the positive steps that have been suggested for governmental aid in meeting business cycle problems. We can say simply that under a democratic form of government the problem of inducing intelligent direction and use of capital and credit in the control of private citizens bristles with practical difficulties. But a wholly negative attitude toward the vast amount of constructive thought now being given to the possible role of government in encouraging sound economic reconstruction and expansion is not warranted and probably will not be tolerated by an alert citizenship.

First Phase of Readjustment Over

It can now be safely assumed that the first phase of the typical postwar war readjustment pattern has run its course and that we are well along in the second or replacement boom phase. The similarities between this replacement boom and that which occurred after World War I are receiving increasing attention from business analysts. For this reason, some comments on that experience may be timely; but they must be brief and, unfortunately, narrowly limited to matters that most immediately concern us as merchants. Perhaps a few extracts from the outstanding economic study of that period will serve our present purposes: [7]

> . . . Expansive market developments both at home and abroad were not long in the making. On the domestic market front an unexpected condition emerged. Released from the fear and economy of war, a huge unsatisfied consumer demand began to assert itself. Slowly at first and then with increasing momentum the buying wave engulfed the staple commodities and swept on to the luxury lines, unstemmed by the mounting price barriers hurriedly thrown in its path by sellers. . . . Meanwhile, demand making forces on the foreign market front were active. . . . By June 1919, the quantity of goods exported was at an all time peak. . . . By fall, 1919, American plants operating at practical capacity, were unable to keep up with new orders, and additional plants and equipment were ordered built. Industry suddenly found itself short of raw materials . . . output was alloted and delivery dates put forward by months, in some cases a year. Bona fide orders could find no takers. Prices freed from wartime control stood up to what the traffic would bear. . . . Congress wanted to curb the skyrocketing prices but continued to appropriate funds and authorize additional bonds to cover the deficits . . . retail stocks were built up as rapidly as wholesale deliveries and consumer taking would allow. Buyers all along the line from retailers to raw processor placed oversized orders not with one but with several suppliers in the ardent hope of covering actual needs with something to spare. . . .
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> The manner in which this inflationary spiral was reversed is distressingly simple. The consumer, protesting against rising prices, brought on the downturn by withdrawing from the markets. This "buyers' strike" did not burst full blown upon a startled nation. "Buy Nothing" clubs were in evidence as early as August, 1919, and the movement gained momentum as the winter deepened. January, February and March saw it at near-peak intensity, but in April the passive resistance was at its meridian. This singular condition which enabled the consumer to take price matters into his own hands . . . was that goods were actually plentiful. . . .
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> A pathetic by-product of the buyers' strike and the rail tie-up was that merchandise arrived too late to catch the ebbing sweep of consumer demand. The c a n c e l l a t i o n evil had broken out in March, when multiple, oversized orders had begun to be withdrawn. Now goods themselves were either refused or returned on the excuse of broken delivery dates. The bulk of the cancellations, however, grew out of managers' reappraisal of the immediate future; and no small liability for the violence of the transition from prosperity to collapse may be assigned to the quick reversal from ordering in advance and in excess of needs to buying on a hand-to-mouth basis.

Unfortunately, we do not have very good information on retail sales during this period, except for the department stores reporting to the Federal Reserve Banks. Between January 1919 and May 1920, the adjusted index of department store sales rose from 73 to 105, or about 44%; but by December 1921, there had been a decline of about 15% from the May peak. In 1922, recovery in sales began; and the low levels of 1922 were not reached again until 1932. It is probable that department stores fared better in the 1919-1920 period than many other types of retailing. The failures of small retail enterprises in 1921 and 1922 ran very high. No details of drug store failures for this period are readily available. The price collapse caused heavy financial losses to the retail trade; and only the select few were able to make net profits.

Postwar I and Postwar II Differences

There are, of course, important differences between economic conditions in the 1919-20 and 1945-46 periods; but the similarities in retail buying practices and customer attitudes are sufficiently strong to warrant careful consideration of all prudent merchants. Rising retail sales afford no present evidence of any striking change in customer buying habits; but we do know that customers are becoming more selective in their choices and want better values for their money. If prices rise rapidly during the next few months, public resistance is bound to grow. Some time in 1947, the most urgent replacement demands for many types of consumer goods will be fully met because production is now rising rapidly, far more rapidly than is generally realized. Some observers believe that a moderate change in the retail sales trend will be evident early in 1947. Meanwhile, there is still much water in the enormous backlog of orders on the books of manufacturers and wholesalers and other intermediate traders. While much of the price rise now under way will be quickly erased by six months of rising production, there now seems to be no prospect of catastrophic price declines such as characterized the mid-summer of 1920.

In short, the time has come for the merchant to put his house in order, to return to safer buying practices, to improve turnover, to correct the wasteful expense habits that mushroom in war periods, to reconsider expansion plans, and to give thought to plans for merchandising under m u c h m o r e competitive conditions than have prevailed during the past several years. With some careful forethought now, perhaps we can avoid costly repetitions of the 1919-20 experiences.

1 U. S. Dept. of Commerce, Survey of Current Business, May 1946, p. 23.

2 Ibid, p. 18.

3 James Truslow Adams: The American, pp. 231-232. (Little Brown & Co., Boston, 1943.)

4 H. G. Moulton and K. T. Schlotterbock: Collapse or Boom at the End of the War, p. 9 (The Brookings Institution, Pamphlet No. 47, Washington, D. C. 1942).

5 Ibid.

6 Encyclopedia of the Social Sciences, Vol. 1, pp. 190 et. seq. (Macmilian, 1930).

7 Wilson F. Payne: Business Behavior, 1919-22, pp. 207-210 (Journal of Business July and October 1942, Vol. XV, Nos. 3 and 4. (University of Chicago Press, Chicago, Ill.)

Public Utilities

(Continued from page 1534)

large block of common stock, which now may be stymied by market conditions. All these plans, and perhaps some others, are affected in varying degrees by the market decline. If stocks should enjoy a good price recovery holding companies should be on the alert to take advantage of the new opportunity to complete their plans—before any secondary decline ensues.

Wade Bros. to Be NYSE Member

Wade Bros. & Co., 60 Beaver Street, New York City, will become members of the New York Stock Exchange as of Oct. 5, with the admission of Daniel E. Wade, exchange member, to partnership. Other partners will be Edward J. Wade and W. H. Lanier of Augusta, Ga. Alfred Fisher is retiring from partnership in the firm.

Stock Break Justified by Economic Background

(Continued from page 1531)

in a bear market at least since the first of June. Because the May highs were only slightly above the February highs, I think it might be contended, with some logic, that we have been in a bear market since the first week in February. Certainly, the sharp February break was what Professor Taussig used to call a "premonitory chill."

Material Rally Expected

Bear markets usually follow fairly definite patterns. If this one runs true to form, it should rally to somewhere between 185 and 195 in the Dow-Jones Industrials and then, perhaps weeks or months later, go back and test the old lows, probably dropping through them. The minimum unfavorable expectation, after the most violent break since 1937, is a period of dull trading not far above the lows finally recorded. The maximum unfavorable expectation, it seems to me, is a decline in the industrial share index to around 147-153, a point which often has been a resistance area both on the way up and on the way down. I expect the industrial share index again to sell under 170. I am inclined to think it will go as low as 160. I can see the possibility of its going to 150, either before the end of 1946 or early in 1947.

Causes of the Collapse

I would like to justify what has occurred thus far in this bear market. In my opinion, there should be no mystery at all about the causes of the collapse in values which already has wiped away about thirty billion dollars from the market appraisal of securities.

The causes of the break which already has occurred, and of the further period of investment uncertainty through which we apparently must pass, might be summarized as follows:

First, we have ceased to create more and more credit. We are no longer printing more and more fiat money. A long sustaining and stimulating bullish factor, in fact the main bullish factor, has been reversed.

The banks, since about February of this year, have been disinvesting in government securities at a more rapid rate than at any previous time in American monetary history. We talked about bank selling of government securities as the cause of the market setbacks of both 1929 and 1937. But the disinvestment in government securities through paying off of government debt from cash balance has been many times greater in the past seven months than at any time in 1929 or 1937. We retired $2 billions on Sept. 1 and will retire another $2 billions the first of October. And in the earlier months of the year we retired billions more. Desirable and welcome as this is, it tends to reduce bank deposits and money in circulation. It is deflationary economic phenomena. It is effective deflation. It always has made itself felt in finance and in business.

It may be objected that there still is **plenty** of credit, and that there still are **plenty** of Federal Reserve notes outstanding. It may be said too, and accurately, that most of this disinvestment in government securities has been accomplished by drawing down an excessive cash balance in the U. S. Treasury.

The fact remains, however, that instead of creating new debt, instead of printing new money, instead of establishing new bank deposits with the stroke of a pen, the supply of money and the supply of credit has been contracted for the conscious purpose of arresting the inflationary spiral. What has been done, and still is being done, in the money and banking field to arrest inflation has been just as effective as OPA price ceilings have been ineffective.

Second, personal incomes sometime during the first half of this year, apparently began to lose the race with prices. They are still losing this race. It always is possible for a time to increase wages, salaries and profits faster than prices rise. We all know that is a jolly experience. A time comes, however, when it is discovered that wealth is not created merely by taking money out of one man's pocket and putting it into the pockets of another. Labor has discovered that it can't prey on capital indefinitely without encountering the law of diminishing returns — perhaps I should say the law of **vanishing** returns! Wage and salary increases no longer add to buying power.

Wealthy investors, who have profited for two generations from the good advice Mr. Babson has given them, don't have to worry about steaks at a dollar a pound, five thousand dollar houses for fifteen thousand dollars, a $1,500 Ford, a $2,200 Buick, eighty cents for forty cents worth of butter, or forty dollars a week for a twelve dollar house servant. I assure you, however, that there are many families in this country who still have incomes of from $35 to $70 a week, and that families with such incomes have had their aggregate buying power reduced substantially by the rapid rise in prices.

Families with incomes of from $35 to $70 a week provide the backbone of the buying power of this nation. Since the first of this year, in spite of all wage and salary increases, the group of families on which the prosperity of America depends has lost buying power and has lost a lot of it. Furthermore, it is still losing. Prices are going up faster than incomes.

Third, the ambitious expansion plans of corporations, which always provide a great stimulus to general business, now are caught between rapidly rising costs and shortages and an almost complete drying up in the markets for new equity capital. Just at a time when the cost of every expansion project is rising rapidly, corporation executives are finding that investment bankers no longer can sell their companies' stocks to the public.

Back in 1937, you will recall many corporation executives thought that the collapse in the market for new equities had a great deal to do with the decline in business. Incidentally, recently practically every corporation has found its working capital needs importantly increased by high prices, unbalanced inventories and swollen payrolls. Industry needs more new capital just at a time when the investment banker is faced with a problem in undigested securities—just at a time when the public's appetite for speculative shares has become sated.

Fourth, whenever the stock market travels in a one-way street for four or five years, enthusiasts begin to believe numerous things that really are not true at all. Eventually these absurdities come home to roost. People now are being shocked into becoming realists.

What are some of the absurdities on which the latter phase of the now ended bull market was based? In the first place, the public seemed to believe that it could indefinitely absorb "inside" selling, and at the same time see stock prices rise to progressively higher levels. Most of the so-called "secondary offerings" of securities handled by brokers and investment bankers during the past three or four years represented nothing but "inside" selling. Families and capitains of industry were selling out to the public. Their motives were various. Some had to sell to obtain money to pay inheritance taxes. Others wanted to diversify their investment risks. Still others thought it a good time to liquidate. Likewise, a great many of the so-called "new issues" which have been sold to the public in the past two years really represented "inside" selling. Family held companies were being distributed to the public. The public for the first time was being "allowed" to become partners in successful enterprises. The public demanded securities. Insiders supplied them.

Stock Split-Up Fallacy

A second absurdity, regardless of how ridiculous it sounds, is the widely held theory that the parts always are worth more than the whole. This theory has appeared in the widespread speculation in public utility holding company break-ups, and in the hectic trading in securities representing receivership railroad reorganizations. It also has dominated the craze to split up stocks into smaller pieces.

In 1945 there were only forty or firty split-ups. From Jan. 1 to date, at least 185 split-ups have been announced. These split-ups have involved an increase in the aggregate capitalization in the 185 companies from 86 million to over 226 million shares. Some of these split-ups have been in stocks which are years sold for less than $10 a share.

You and I remember that one of the most frequently cited reasons given by investors early this year for buying a stock was that it was going to be split up. Now, when a stock is split two-for-one, the resulting shares are worth just half as much as the old shares. A few months ago everyone thought that when a stock was split two-for-one, the new stock ought to be worth 60% or 70% as much as the old shares. It was crazy investment reasoning.

A third absurdity has been the reasoning that non-recurrent earnings should be appraised at more than one times their face value. A stock which has a normal earning power of $4.00 a share, if fifteen is the proper price-earnings ratio, is worth $60 a share. If, however, for unusual and non-recurrent reasons this company's earnings suddenly jump to $14 a share, this does not make the stock worth 210, or even 100 or 150. If the non-recurrent earnings are going to last one year, they are worth one times their face value and if they are going to last two years, they are worth two times their face value. Actually, non-recurrent earnings often are not worth even one times their face value. They have a way of getting lost in some unpleasant readjustment to normal. Seldom are they paid out 100% in dividends.

Deferred Demand Exaggerated

Fourth, the investment public has done some extravagant reasoning about the size of the deferred demand for goods. Much of this reasoning has been based on the strange theory that, when now scarce goods are available, the public immediately will buy not only its current requirements but also all the goods it did not buy during the war period when these goods were not obtainable.

The fallacy is obvious. Take the man who usually buys an automobile every other year. He bought his last car in 1941. If automobiles had been available, he would have bought another car in 1943, and another in 1945. The chances are that he has been unable to buy a car this year. Mathematically, his deferred demand in 1947 is for three cars. Actually, he will buy but one.

When most goods once more become available, deferred demand becomes only current demand—and that is all. The markets which could not be satisfied during the war period of scarcities, for the most part have been forever lost. This statement, of course, like most statements in economics, is subject to qualification.

It is inevitable after a period of so much enthusiasm that we have over-estimated the amount of goods we will send abroad, the number of houses we will build, the number of automobiles which are needed, the buying power of the American public in terms of consumers goods, and the benefits which may be derived, in the long run, from an economy in which so many people are trying to take money out of other people's pockets and put it into their own without making any tangible contribution to the public weal. All these stimuli to bullishness work for a while, but eventually they fail because they are unsound. You can't fill a bushel basket with two pecks of potatoes. You can take the pitcher to the well too many times.

The Change in International Sentiment

The fifth cause of the change in sentiment, of course, has been the gradual realization on the part of Americans that the foreign situation, in spite of our complete victories over Germany and Japan, still is a menace to peace and a threat to domestic tranquility. In my own writings I have often said that Russian-American relations present a chronic rather than an acute problem. By that I have meant that so far as I am concerned, immediate war between Russia and the United States seems exceedingly improbable, but relations between the two countries will remain strained for years and there will be periodic crises and near-crises. Meanwhile, we have a problem in undigested military victories.

Strangely enough, the recent weakness in the stock market came almost immediately after an historic cabinet meeting in Washington, at which a radical new American foreign policy was adopted.

For the first time in at least two generations this country has a well defined foreign policy. It is a policy of non-appeasement; it recognizes that, whether we like it or not, we are hopelessly involved in the politics of Europe and Asia, and we must behave according to that policy and not as though we can withdraw into our shell, as we tried so unsuccessfully to do after World War I.

This new foreign policy, in my opinion, will avoid war with Russia if anything can. It is sound and realistic. Russia already is believed to be changing some of her attitudes in accordance with its implications. She knows that she cannot go on winning bloodless victories and she is aware of her military and economic inferiority. I do not see why our new foreign policy should be regarded as bearish since the old policy, or lack of policy, which we have now jettisoned was much more dangerous and much less positive than the one now in force. In other words, it seems to me that the fundamental causes of the trouble we have had in the stock market are of domestic and not of foreign origin.

The Art of Security Analysis

I would not close, without trying to make a constructive contribution to the art of security analysis. For a long time I have been impressed with the fact that economists, statisticians and analysts pay too much attention to stock quotations and too little attention essential investment values. The boasted liquidity of American equities, and the way in which investors employ them in the management of their funds, tends to make us over-stress price and under-stress value. That makes the analyst tend to be a crystal gazer rather than an appraiser of intrinsic worth.

From time to time, every stock sells to high and every stock sells too low. The great feature of bear markets is undervaluation. The most outstanding feature of bull markets is over-valuation. It is only somewhere between the bull market price and the bear market price that any stock is fairly valued, that is, valued according to its essential worth as an investment for the owner who wants to invest in value rather than speculate in price.

I would not contend at this juncture that all stocks are overvalued or that all stocks are under-valued. After such a market cataclysm as we have recently had, there is a disturbed interrelation of values rather than a price level around which all stocks sell. The aftermath has to be a period in which thinking is less emotional and changes in ownership are more voluntary. In such a period, prices get back their normal relationship, one to another. Ordinarily it is a period of relative inactivity in the stock market, and a time when investors are more inclined to be pessimistic rather than optimistic. I think we are going to pass through such a period sometime during the next two to six months.

The time is at hand when we shall begin to discover evidence of under-valuation here, and evidence of over-valuation there. Such a period usually is not one of enthusiastic buying, and after an era of over-valuation such as the one through which we have recently passed, there are likely to be more unpleasant than pleasant revelations.

I think it is logical, therefore, to anticipate that we shall not immediately go back into a bull market. I feel, too, that the chances favor at least a testing of the old laws in the averages and probably the establishment of new bottoms. For those who seek quick short-term profits, this may be a time to buy, but for most of us tax considerations make short-term profits rather unattractive.

Tax Considerations

These tax considerations, not only because they discourage short-term trading, but also because they put a premium on short-term losses to offset against profits registered earlier in the year, may tend to limit contra-trend rallies in any modern bear market.

To sum up, I feel there is no hurry about reinvesting the cash one was wise enough to withdraw at higher prices, or one was fortunate enough not to spend when prices were higher than they are now. The position I take, you will notice, is not one of extreme bearishness but one of caution and delay.

Miss Ford Dead

Miss Rose Marie Ford, associated with Shields & Company, New York City, in their municipal department since 1938, died on Sept. 21 after an illness of several months duration. Miss Ford was with Washburn & Company in their New York office for two years before joining Shields & Co. In recent years Miss Ford had handled a major part of the details connected with Shields & Co.'s refunding and syndicate operations.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

Money market experts are watching developments very closely because it is believed in some quarters there may be changes in monetary policy in the not distant future, due to fear of economic maladjustments . . . It was pointed out that if the postwar boom has come to an end, as is believed by some, then the money managers will most likely base future actions more on business activity and the trend of commodity prices, rather than on fear of inflation, which has been all-important in the immediate past . . . It is believed that the first indications of an alteration of policy would be the postponement of the flotation of securities, the proceeds of which would be used to retire securities held by the commercial banks . . .

It may be that the recent announcement by Secretary of the Treasury Snyder that the Treasury is not now contemplating any new bond issues, is the first clue to a different attitude toward the money markets . . .

What would be the other factors to consider is largely guesswork, but it would not be surprising if there would be a less aggressive attitude toward debt retirement and the decreasing of bank deposits . . .

POSSIBILITIES

With the inflation fear pushed farther into the background by the action of the securities markets and the opinions of some of the powers that be, concerning future business prospects, it may be that the money managers will pass up the redemption of part of the certificates coming due on November and December 1st . . . These maturities could be rolled over and the Treasury would be in a position to concentrate on the redemption of the 1½% notes due Dec. 15 . . .

On the other hand, the belief is held by some that the Treasury may even refund the 1½% notes, with a bond bearing the same coupon rate as the maturing obligation . . . It is reported that one of the points stressed in the recent meetings in Washington was that there would not be an increase in debt charges, which would seem to rule out a 2½% bond in exchange for the maturing 1½% notes on Dec. 15 . . .

However, there are still some who feel that there may be some kind of a non-negotiable obligation offered to non-bank holders of the 1½% notes of Dec. 15 . . . This obligation would probably be on the type of the Series G savings bonds, with the maximum rate available only to those that hold the obligation to maturity . . .

TREASURY BALANCES DECLINING

Treasury balances, even after the Sept. 15 income taxes are now only slightly in excess of nine billions and this will be reduced by $2 billions on Oct. 1, which means that continued retirement of certificates out of cash will soon reduce these balances below prudent levels . . . Also if there should be a recession in business, and government revenues decrease and deficits increase, the Treasury would need to husband its cash resources to be in a position to meet these conditions . . . If new funds should be needed because of unfavorable business conditions, would it be likely that the Treasury would issue securities that would be restricted to the insurance companies and savings banks, carrying high coupon rates, thus increasing debt service? . . . Would the money managers instead float obligations with a lower coupon rate that would be taken by the commercial banks, and increase deposits in order to counteract the deflationary trend and at the same time not add too substantially to the debt burden? . . .

INSURANCE COMPANIES PRINCIPAL BUYERS

Although the government securities market was upset and gave ground during the period of severe weakness in the stock market, it was able to recover, as insurance companies and savings banks came in to take advantage of prices that appeared attractive to them . . . The insurance companies were much more important buyers than the savings banks, because the former have ample funds to invest compared with the savings banks which in many instances are quite fully invested, or have been losing some deposits . . . This has created a cautious attitude among the savings banks, which will no doubt persist until there is clarification of the trend of deposits . . . Undoubtedly one of the influencing factors in the decision of non-bank investors to put some of their funds to work was the press conference announcement of Secretary Snyder that the Treasury is not contemplating any new offering of long-term government bonds at this time . . .

Although Mr. Snyder was careful to emphasize that his denial of any plans for an immediate new government issue did not foreclose that possibility at a later date, it is very generally believed now that there will be no new money financing by the Treasury during the year 1946 . . .

This means that non-bank investors, particularly the insurance companies which have been waiting for a new issue of securities, will be putting these funds to work now . . . There is no doubt that the insurance companies are the most important factors in the government securities market now and will continue to be in the near future . . . Whether they will be inclined to reach for issues is problematic, although there seems to be an opinion that these institutions will continue to be cautious buyers as in the recent past, unless there should be an abrupt change in the policies of the monetary authorities . . .

LOOKING ELSEWHERE

It is believed in some quarters that there will be greater consideration given in the future by the Treasury to the holdings of "other investors" of government securities, especially the restricted bonds, and more particularly the longest 2½s and 2¼s . . . It is believed that these holders are potential sellers of the long-term obligations in order to obtain funds that would be needed for business purposes . . . These holdings are practically all owned outright and are not to be considered in the speculative classification . . .

However, it is believed that this increase in potential supply is not likely to come into the market if there should be an adverse trend in economic conditions . . .

BANKS—ELIGIBLES VULNERABLE

The market action of the bank-eligible bonds, some of which made new lows recently, would no doubt be affected by any change in the monetary program of the Treasury . . . A slackening in the debt retirement program, which would relieve some of the pressure on deposits and reserves, would have an effect on investment policy of the commercial banks . . . Changes in economic conditions such as the ending of the post-war boom, and the beginning of a period of readjustment could result in a decrease in the demand for business loans which would also have an effect on the investment policies of the deposit institutions . . .

FRB RECOMMENDATIONS AWAITED

The recommendations of the Federal Reserve Board's open market committee which meets the first week in October, will no doubt be given important consideration by the Treasury in shaping its future financing policies. There seems to be little doubt that the monetary authorities are preparing to be in a position to meet any changes in economic conditions.

What to Do About Inflation Trend

(Continued from page 1533)

is running at nearly two-and-a-half times the rate before the war. On the top of these liquid assets is the readiness of business to grant enormous credits for such things as homes, automobiles, furnishings, electrical goods, and so on, if only such goods were available for sale. That is a summary of the purchasing power situation.

On the other side there are the shortages of needed goods. In spite of the fact that it is considerably more than a year since the war ended, there is a tragic shortage of homes as well as of practically all of the raw materials out of which homes are constructed. There are shortages in furniture, home furnishings and in nearly all types of equipment that go into homes. There are shortages in food, apparel, automobiles and with some exceptions, almost every other commodity and service that one might name. This is a summary of the inadequacy of the supply situation.

Recent news releases out of Washington, particularly from the CPA, make much of the increases in civilian production almost up to, in some cases equal to, prewar levels. So far as the inflationary trend is concerned there can't be much consolation drawn from those figures, for while production may be reaching pre-war levels, purchasing power is at least 2½ times pre-war levels.

Inflation Man-Made

There is nothing mysterious about this inflation. We know the causes of it. It is purely man-made. While the war is partly responsbile for it, it is, in the main, the result of following certain practices and policies for several years before the war began. Back in the 1930's our Administration set out to create inflation and now we've got it. In the prewar years the Administration bent its efforts on increasing purchasing power. This was the object of the NRA. This was the purpose of the National Labor Relations Act. This was the objective of the Social Security law. This was also the purpose of the Fair Labor Standards Act of 1938 that fixed a minimum wage for all interstate industries.

The Administration, at the same time, bent its efforts on reducing production, particularly in agricultural products. It also contributed to a per capita decline in production by passing a maximum work week of 40 hours with a penalty of time and one-half for any work above 40 hours.

When the war came this nation faced the need for a change in its policy of restricted production. We had to have increased production and we had to have it quickly. To make the war effort effective we had to cut down civilian production to still lower levels. We had to devote half or more of our national energies to the production of war goods. The immediate result of this procedure was to increase the spread between rising purchasing power and the more limited amount of consumer goods. Faced with the certainty of immediate inflation the Administration made a well intentioned effort to control prices through the Emergency Price Control Act. The OPA was designed to control the prices of finished goods, but it started off from the very beginning with a fatal weakness. While Congress gave the OPA authority to fix the prices of finished goods, it failed to give it the power to fix the costs of production, that is, of labor and of many raw materials. The omission of controls over the costs of production created a problem that the OPA could not solve. In spite of all the good wishes and good will of the entire nation while at war, this weakness made it impossible for the OPA to do what it was directed to do.

The Failure of Wage-Price Adjustment

Not long after the establishment of the OPA the Administration was forced to take steps to keep wages in line. The Little Steel Formula permitted general wage increases up to 15%. The War Labor Board was established but its controls were honeycombed with exceptions permitting wage increases such as for so-called "inequalities" and "inequities." Other exceptions followed, such, for example, as the permissions to establish minimum wages first up to 50c and next to 55c per hour, as if these would not affect the entire wage structure. During the first six months of this year another bad break in wage controls occurred when organized labor, by the most serious strikes ever suffered in this nation, forced the Administration to grant flat wage increases of 18½c and more per hour in all industries in which the demands were made.

Those wage increases are still being granted. The costs of production are moving upward. According to some reviews, the labor leaders are counselling their members to postpone their strikes, at least until after election. But the rank and file of unions have learned that by the exercise of that peculiar American institution called "collective bargaining" they can strike and come away with a lot more dollars of pay. You haven't heard of many strikes failing in recent years.

The costs of production are, however, not merely raised by increasing wage rates, but also by the shortening of the hours of work and, worst of all, by a substantial decline in man-hour productivity. Higher wages, shorter hours and less production per hour all tend to raise the costs of products and services. There is but one way by which any industry can carry on under increasing costs and that is by adding these costs to their prices. So the OPA has had to permit hundreds of industry-wide price increases and many thousands of company price increases. Nor is the end in sight. New increases are being announced every day. Additional price increases will be reported tomorrow and the next day.

As a consequence of these wage cost pressures that are raising the costs of production and of distribution, we say that the nation's economy is in the grip of an inflationary spiral. Higher wages mean higher costs of production. Higher costs of production must inevitably be followed by higher prices. Higher prices, in turn, stimulate demands for increased wages, and so on in upward circles. Until and unless this inflationary spiral is stopped more and more inflation is inevitable. It takes positive measures rather than weak-kneed attitudes and appeasements to stop a movement of this kind. You can't cure inflation by dealing with its end products. You must begin with its causes. Inflation will go on until the causes of inflation are checked.

It must be clear to everyone that wage increases, unless accompanied by increases in productivity, must mean increased costs of production and, therefore, increased prices and inflation. You are all familiar with the inflationary character of the wage increases that have been granted in recent months. The effects of such wage increases upon prices has been direct and immediate. Even some of the union leaders admit the inflationary effect of their wage proposals. It is not enough, however, to consider the general relations of wage costs to prices and inflation. It is necessary to study the ways and means by which these wage increases have been gained.

The Effect of Legal Minimum Wages

Getting wage increases is not merely a matter of collective bargaining, union demands, strikes and government aids. All of these are factors, but back of these moves are the far reaching plans and preparations of the unions without which there would be a much higher percentage of union failures. If there were time it would be interesting to study the mechanics of the union movement, to see the tools and equipment which a union now uses in putting an industry or a concern over a barrel and made to pay tribute to labor leaders as well as to pay increases in wages to their workers. At the present time I would like to call your attention to but one device, a relatively new wage-raising tool of a tremendously effective nature. I refer to a device called the *legal minimum wage*.

A minimum wage, whether fixed by law, by collective bargaining, or by the natural processes of the labor market, is the lowest wage paid for unskilled, marginal or least employable workers. It is the basic wage.

The basic minimum wage is the foundation rate of the entire wage structure. All wage rates paid above the minimum basic wage are merely wage differentials paid for differences in experience, skill, amount of responsibility carried or other factors affecting individual or group productivity. The amounts of these differentials above the minimum basic wage rate are the measures of the desirability of such employees over the marginal or least employable workers who get the basic minimum wage rate.

For example, the basic minimum wage rate in any industry may be 40c per hour, but the dif-

ferentials above the basic wage rate may be 45c, 50c, 55c, 60c, 65c, 75c, 90c, $1.00, $1.50, $2.00 and more per hour. This would be a typical wage distribution in any large concern. It would be a typical wage distribution in any industry for both large and small concerns. Those getting differential wage rates above 40c per hour are paid for their differentials in experience, skill or ability above the marginal or least employable workers. Whenever, for any reason, any material change is made in the basic minimum wage rates, similar changes must also be made in the differential wage rates. If an increase be made in the minimum wage from 40c to 60c per hour, it is clear that it will become necessary sooner or later to increase all of the differential wage rates. Those formerly employed at 45c, 50c, 55c and 60c per hour would all have to be increased immediately to something above 60c so as to maintain their differentials above the marginal workers now employed at 60c per hour. It would be neither fair nor economic to expect the more competent workers to work for the same wages as the least employable marginal workers now suddenly raised to 60c per hour. But raising the differentials of those who formerly got more than 40c but less than 60c to some wage rates above 60c would also make it necessary to raise the wage rates of those already receiving more than 60c per hour, so that within a relatively short time a wage increase starting at the minimum basic level would have to be accompanied by wage increases all along the line up through the entire wage structure.

The adjustment of wage differentials above a new and higher minimum basic wage takes place in a relatively short time—usually a matter at most of a few months. Many employers recognize the fairness as well as the need for promptly raising the differentials of their skilled and competent workers. But if they do not make these adjustments reasonably promptly, they tend to lose their better employees to other employers. Or they will face demands for wage increases made by the unions. Nothing suits a union organizer better than to find an employer is too slow on raising the wage rates of his employees. Union organizers have frequently stated that the concerns easiest to organize are the ones in which there are employees who have not received prompt and fair wage increases.

So the legal minimum wage has become a powerful engine used in hoisting the entire wage structure. A remarkable feature about the minimum wage as a device to be used in the collective bargaining is that it has been so easy in most states as well as in Congress to raise the minimum basic wage rates by legislation or by administrative order. The unions are now striving for a wider application of this device and you may be sure that this effort is not being made solely out of regard for the well-being of the unskilled, least employable, marginal underprivileged workers played up in their arguments. The minimum wage device is, in fact, the smartest and surest way of getting wage increases all along the line.

The union effort then is to secure a legal minimum wage rate at as high a level as possible and then through collective bargaining and other pressures to raise the differential wage rates proportionately very shortly afterwards.

In 1938 Congress passed the Fair Labor Standards Act, a minimum wage and maximum hour law. It began by fixing a minimum wage of 25c per hour to be increased gradually up to 40c per hour. The 40c level was reached some years ago. At the last session of Congress bills were introduced to amend the Fair Labor Standards Act of 1938 to increase the minimum basic wage rate from 40c an hour up to 65c per hour. One of these bills passed the Senate, but through some fluke it never came to a vote in the House of Representatives. It is absolutely certain that similar bills will be introduced at the next session of Congress to open in January. But instead of asking for a minimum wage of 65c per hour, the CIO has indicated that it will ask for a minimum wage of at least 85c or possibly $1.00 per hour.

In the meantime, organized labor and all of the agencies of organized labor such as the Department of Labor in Washington and many of the labor departments out in the States are driving very hard to secure higher minimum wage rates at State levels through the State laws and orders. It is clear that the proponents of minimum wage legislation feel that the passage of higher minimum wage rates at State levels would be a decided help in getting the new and much higher minimum wage rates at the Federal level. There have already been active campaigns this year for higher minimum wage rates in Massachusetts, Rhode Island, Connecticut, New York, Ohio and California.

In Massachusetts a minimum wage rate of 65c per hour for office workers will go into effect in a few days. At about the time of the elections in November it is expected that a similar minimum wage rate will go into effect in California.

Employers' Attitude

Employers are not well equipped to meet this movement properly. To begin with, many of them do not understand the part that the minimum wage mechanism plays in raising all wage rates. It is a common occurrence that when a minimum wage issue arises many employers of skilled or high-grade workers tend to take the position that the minimum wage is not of interest to them since they already pay more than the minimum wage rates proposed. They overlook the fact that a change in the minimum basic rate makes it inevitably necessary to change all the differentials as well.

In recent years many individual employers have actually refrained from taking part in minimum wage controversies for fear of trouble with the unions in their own shops.

Employers are also weak in meeting this situation because they are confronted not merely by organized labor, but also by social workers, society people, so-called "liberal" college professors, and even by religious leaders who usually have not the slightest idea of the far reaching effects of the minimum wage, but who are keen to become the front for the movement, particularly as it doesn't cost them anything out of their own pocket books to be for higher minimum wages. Proposals for minimum wages are usually dramatized in terms of pitifully oppressed, underprivileged workers unable to help themselves, ground down by capitalistic exploiters, or whatever the Marxists wish to call it, and so business employers are made to feel uncharitable and unchivalrous if they oppose the minimum wage. An employer is usually made to feel rather ashamed of himself for taking a position against the improvement of wage levels for these poor marginal workers. It is so much easier to get along wtih the "best people" in a community by agreeing that marginal workers should be better paid even if there is no change in their productivity and even if the long-run effect is higher costs of production, higher prices and even inflation.

Finally employers, when they have been crowded and pushed around by unions, social workers, society people, college liberals and religious leaders long enough, are likely to weaken and to agree to any regulation so long as it is applied to all businesses without discrimination. Any employer can and will pay as high wages as any other similarly circumstanced employer. If all must come under the same regulation, higher wages simply mean higher costs of production for everybody. What bears down equally on everybody is simply met by adding it to the prices of goods. Under these circumstances, employers do not themselves pay the higher wage. The higher costs are paid by the ultimate consumer.

Because of these weaknesses, some employers tend to be ruled by expediency rather than by principle. They tend to forget their responsibilities to consumers and instead join with prices driving us towards inflation. Unless employers come to a clearer understanding of the causes of inflation, their responsibilities for keeping costs and prices down, and for raising production, we are certainly likely to end up in economic collapse.

What Can be Done

What can be done about this inflationary movement? We are already well along on the broad highway towards the disasters of inflation. This movement must somehow be checked or we will be carried to ruin. If we do not succeed we shall find ourselves in the same situation as Germany and Austria back in the early 1920's; or of Italy and France in the late 1930's, or of Hungary at the present time. In those countries the value of money declined until it was not worth the paper upon which it was printed. Let us not be so foolish as to say that the same thing can not happen here.

Dangerous as the movement is and far as we have already gone, it is my belief that it may still be checked, or I would not bother to make this address. It can be stopped if aggressive steps are promptly taken to stop it. The trend can be turned in the opposite direction, if we make up our minds to do it and stop doing the things that cause inflation.

The fight against inflation is your fight and mine. It is the fight not only of the government, but also of all business groups, and last, but not least, of all businessmen. It is to the long run interest of organized labor that this fight must be made and won.

Here is a program that seems sound and merits your consideration.

1. Let us never lose sight of the main point that the only cure for inflation is to get up adequate production and to keep costs of production down. We must produce goods as fast as we produce purchasing power or the value of our money will disappear entirely.

2. The Administration should begin at once to cut its expenses, continue to collect enough taxes to balance its budget and begin to repay its staggering debts. This would give a great lift of confidence not only to the people of this country but a noteworthy example to the rest of the world.

3. The government should get out of its attempts to fix prices. It should get out of this mess before June 30, 1947. By doing so it will raise the respect of all thinking people. The public attitude towards price control is waning rapidly. The OPA could save some part of its face by closing up its activities soon. To hold on will mean that it will eventually wind up in failure and discredit. The hope of some people to keep price and profit controls in this country is not now receiving very much encouragement. We are learning rapidly about such controls and a regimented economy from what we see and hear of Russia. The elections in November will go far towards showing what the American people think about our own regimentation carried over from the war years into our peacetime economy.

4. If you would like to know what business individuals and business groups can do to help stop this inflation, I would recommend that you take up the suggestions made to their members and to the public by the CIO. The CIO has some exceedingly competent leaders. Their ability and skill are noteworthy. They are at present urging buyers' strikes. They are advising their members and others not to buy high priced goods. They recommend that certain days of each month, or indeed of each week, be set aside in which no goods at all be purchased. These buyers' strikes are the protests of the CIO against higher prices.

In urging buyers' strikes the CIO is on the right track, but the CIO is not going far enough. It is well enough to oppose the purchase of consumers' goods at unreasonable price levels. We may all agree that this is a part of a general program against inflation. But let us not forget that the prices of goods to consumers are in the main but the reflection of the total costs of production and of distribution. In addition to opposition to higher prices at the consumer level, there is also needed an even more substantial opposition against the increases in costs of production and particularly against unjustified, uneconomic and unproductive increases in wages.

The way to stop inflation is to stop the forces that produce inflation, the forces that cause the rise in prices, the forces that raise the costs of production, whether these be increased wage rates, shorter hours of work, or reductions in productivity per man hour. Let us adopt the philosophy of the CIO and really apply it all along the whole economic line. Let us stop making higher payments in form of wages or for raw materials unless such payments are for increased productivity, experience, skill or other measurable factors. Every increase granted that is not for increased productivity is an increase in inflation, and a part of the movement that is leading us towards national catastrophe.

5. It is time that business employers should learn more about the new techniques of organized labor. I have referred in this address to the surprising significance of the minimum wage in connection with its effects on the entire wage structure and its contributions to national inflation. Business employers should prepare themselves to meet the efforts that will be made to extend the minimum wage rates at the coming session of Congress as well as at State level. If you are an employer then these minimum wage proposals are your business. If you are an employer and all of your employees are already receiving more than $1.00 per hour, then the minimum wage proposals are your special concern for they are most ingenious preparations for reaching you and for increasing your wage costs.

Finally, I do not think that it is good policy for employers to accept regulations supinely on the theory that they have only to add the increased costs to the prices of goods and that the consumer will always continue to pay the bill. You who are in business are, in a real sense, trustees for the consuming public. Through lack of proper effort or carelessness on your part the consumers may for a time have to pay higher prices, but in the long run the consumers will turn on you just as the consumers have always turned upon all others who have failed them. The outcome is not likely to be very pleasant.

The present inflationary trend is as dangerous to our nation as if it were an attack made upon it by a foreign enemy. The present trend towards inflation can probably be checked, but only if you and other business men and the thinking citizens of this country apply themselves intensively to the defense of our economy. Any failure either of individuals or of groups or of the administration of this country to take the necessary steps to check the inflationary trend is as treasonable as the failure to keep our defenses in proper order either at Pearl Harbor or wherever the enemy may next strike at us.

So let us fight inflation not merely through Congress and the Administration, but also as individuals and through our business groups. Let us take the necessary steps to remove the causes of inflation. Let us be precise and definite in our opposition. There is nothing to be gained by appeasement. This is a responsibility that rests on all of us. Let us assume those responsibilities. Let us do what needs to be done and so prevent this inflationary movement from getting any further out of hand.

Comparative Stock Prices

(Continued from page 1532)

On May 29, 1946, the Averages attained a high of 212 for the Industrials and 43 for the Utilities, followed on June 13th by a new high for the Rails of 68. This has been followed by a severe drop of some 45 points for the Industrials and proportionate amounts for the Rails. Though the Averages decline even further, there may still be promising buys below the general market average.

Comparisons

To compare two prominent stocks which percentagewise dropped well below the Averages, let us first take, as an example, **Commercial Solvents.** In 1932 it reached a low of 3½. It rose to a peak in 1937 and had by 1942 settled back to a low of 7⅞. Its next peak of 32¼ came in May of this year in a period when the Averages were at their highest in 15 years. The Averages at the recent low have declined only 21% from the May highs while **Commercial Solvents,** which I still believe to be good, has fallen off about 37%. The Averages are yet well above **Commercial Solvents.**

Montgomery Ward is a stock I believe is good, which has shown a decided decline far below that of the Averages, due in great part to the issue of rights. In 1932 **Montgomery Ward** declined to 3½. It reached a high of 69 in 1937. It again receded in 1942 to a low of 23½, which was a decline of 66% compared to only 52% for the Dow-Jones Industrial Averages. Along with the rest of the market the price of this stock progressed during the war. In May, 1946, **Montgomery Ward** reached a peak of 104¼. It has since sold off to a low of 65½ or about a 37% drop compared with only a 21% drop for the Industrial Averages. A wise selection of individual issues may be made at this time if one's judgment is based on all the favorable factors I have mentioned, including a promising relationship to the Dow-Jones Averages.

Weekly Electric Output Shows 12.1% Over 1945

The amount of electrical energy distributed by the electric light and power industry for the week ended Sept. 21, 1946, was 4,506,988,000 kwh., a gain of 488,075,000 kwh., or 12.1% over the corresponding week in 1945. The current figure, however, was 14,163,000 kwh. below the output for the week ended Sept. 14, 1946.

The largest gain was reported by the Southern States division which reports an increase of 18% over the 1945 period.

Wallace and Pseudo-Liberal Delusions About Russia

(Continued from first page)

facts or common sense. I am not referring, of course, to the paid agents and the cynical propaganda stooges of the Communist movement. I have in mind the honest liberals and progressives who hate poverty and injustice and yearn for a shortcut to perfection.

After all the central mystery about Wallace is how a top American official, with the manifold sources of government information at his disposal, with access to people having intimate personal knowledge of the Russian situation, could remain so deeply misinformed about that country, so strangely oblivious to the temper of the Russian rulers. A few candid hours with friends and colleagues in the administration —with men like William C. Bullitt, Averell Harriman, Loy Henderson, Laurence Steinhardt, etc. —might set him straight on at least his more startling misconceptions about the Soviet heaven.

Wallace's Misconceptions

It is an open secret that some of these people have tried to make the former Vice-President see sense on the elementary Russian facts. They have sought to apprise him that what he calls "economic democracy" in the Soviet Union is about as democratic as similar institutions and policies under Hitler and Mussolini. But they found that the Wallace mind was closed to unpleasant information and impervious to logic on this issue, however sensible it might be on other issues.

When we understand this about Wallace, we understand it no less about all the aforementioned "liberals." They reject in a kind of mental panic any references to reality that disturb their fond illusions. They have invested years of ardent faith in what they want to believe is a great experiment in social idealism. They resist any proof that the experiment is neither liberal nor idealistic as violently as others resist slurs on their religion or on their families.

The "Liberal" Obsession

If you want proof of this "liberal" obsession, a remarkable document is at hand. It exhibits the will to believe that Russia **despite everything** is still the hope of the human race in its rawest and most illogical forms. It is a document, moreover, provided by none other than Mr. Wallace.

I refer to the book which he published recently under the title "Soviet Asia Mission." It is the record of a hurried journey to eastern Siberia which Mr. Wallace, then Vice-President, made in the summer of 1944. Why he waited two years to present the account is nowhere explained. But its faith in the "democracy" of Stalin as a peace-loving ally eager to cooperate with the capitalist Powers is of the purest 1944 OWI vintage.

The events of the intervening years that have alarmed the world about Moscow's methods and intentions are simply ignored. Generalissimo Stalin's own forthright statement that war is inevitable as long as "monopoly capitalism"—meaning, in the first place, the American way of life—remains, might never have been made. As far as the author of that book is concerned, the Kremlin aggressions, unilateral actions, violations of formal pledges, rapacious stripping of many regions just didn't happen!

Wallace's Book Termed Magnificent Fiction

The volume must be read to be appreciated. It is a magnificent achievement in the domain of fiction presented with a straight face as fact. Rarely has any man gathered so much detailed misinformation in so short a time and offered it to the public with such self-righteous nonchalance. In only a few days under strict official tutelage, days crowded with receptions and speech-making, Mr. Wallace managed to learn that liberty and democracy prevail in Soviet Siberia and that its population is "pioneering" a wonderful new civilization in a truly American spirit.

Siberia

The key to the monstrous joke is that Siberia is today, to a vastly greater extent than under the Czars, a region of political prisoners, exiled populations, forced labor and piled-up horror. A large portion of the "pioneers" were brought there in cattle-cars under bayonet guards. Literally millions of these beneficiaries of Soviet democracy in Siberia live in filthy barracks behind barbed wire fences bristling with machine guns. Anyone who wants an eye-witness close-up description of a typical Siberian "pioneering" effort will find it in a current best-seller, "I Chose Freedom," written by a Soviet official who kicked over the traces.

But there is no hint of all this in the Wallace report. He visited the region of Magadan. He was the guest of Comrade Ivan Nikishov, head of the Dalstroy Trust. He writes ecstatically about industrial progress in that area. Addressing an official gathering in his honor in Irkutsk, Mr. Wallace declared: "Men born in wide, free spaces will not brook injustice and tyranny. They will not even temporarily live in slavery."

How the Soviet officials present must have laughed inwardly! How the plain people in the audience, many of them Siberian exiles, must have writhed in bewildered anger! Here was the Vice-President of the world's greatest democracy praising their slave system instead of boasting of his own free system.

It happens that Magadan is the most notorious of the forced-labor and concentration camp areas in Russia. Dalstroy is one of the most sinister slave-labor organizations under the aegis of the Secret Police set-up. Comrade Nikishov is one of the foremost N.K.V.D. slave-masters. The "pioneers" whom the American visitor exalted were not born in those wide, free spaces; for the most part they were dragged there as prisoners and deportees. To compare them to those self-reliant, ambitious American families who braved danger and hardship to build our West is to insult everything that is most precious in the American tradition of freedom.

Consider the fantastic picture: the second highest official of the United States of America, finding himself in the world's most notorious forced-labor region, hails the victims in the name of liberty! Then, returning home, he recommends the Soviet system as a worthy model for his American countrymen to imitate in their search for "social democracy."

I submit that a great satirist seeking to demonstrate the boundless innocence of American "liberals" and their fierce eagerness to delude themselves could hardly think up a better scene. It is as if a foreign dignitary had been taken for a visit to Sing-Sing prison, admired its quiet and discipline, was thrilled by industrial progress in its worshops, and went back home to urge that everyone follow the prison as a model of the good life.

Wallace Believes His Own Nonsense

Unquestionably Mr. Wallace believes the Homeric nonsense he has written about Magadan and Comrade Nikishov and Siberian democracy. But that only underlines the virulence of his obsession. The truth about Siberia and its forced-labor economy was probably on file in his own Department of Commerce. It is certainly available in the State Department and accessible on the shelves of the Library of Congress. Mr. Wallace doesn't know it because, psychologically, he is unable to confront disturbing truth about his Russian dreamworld; he runs away from facts that could upset the pretty fairy tales he lives by.

The Influence of the Obsessed "Liberals"

The tragedy of it is that "liberals" of this obsessed variety not only hold high office but hold spots of immense influence in shaping American public opinion. They edit magazines and teach in colleges and expertize as foreign affairs specialists on the radio chains. Small in numbers, their influence is multiplied by the fact that they are highly articulate. Most fischievous of all, though they peddle faith in a collectivist slave state, they use the vocabulary of freedom, economic democracy and social progress. To expose or oppose them seems almost like attacking idealism itself.

The case of Wallace, precisely because it is typical, demonstrates the importance of a more realistic approach to the Soviet facts. The vague feeling which lingers that "despite everything" the Soviet system holds promise of the better life must be dissipated.

On one side we have a huge and fanatically earnest propaganda, backed by the resources of a great nation, to build up and support illusions about Russia. Besides an army of paid agents and Communist Party members there are legions of fuzzy-minded volunteers of the Wallace brand. On the other side there is no equivalent counter-propaganda of truth.

This lack must be made up. Our government departments should be stirred into realization of their duty to release to the public all pertinent information about Russia now concealed in their files. Whatever excuse there may have been for reticence while the war was under way has been ended with the victory. The American people should have all the facts.

At the same time businessmen, editors and others with access to the public ear should make it an affair of patriotic duty to circulate books that tell the truth about Russia; to obtain the widest dissemination for frank reports on that country by returning correspondents; to refute without inhibition the propagandist versions of the Soviet reality offered by obsessed "liberals."

Courageous and Objective Diagnosis Needed

In facing a sick and fevered world, as in facing bodily ills, the first and indispensable step toward cure is an absolutely honest diagnosis. This calls for courage. It is always pleasanter to pretend that the acute appendicitis is only a bellyache. But the penalty for such falsehood is always disaster.

From that point of view the sharpening American awareness that there are, after all, "two worlds" — a democratic world symbolized by America and a totalitarian world symbolized by Russia—is all to the good. The main fault in Mr. Wallace's Madison Square Garden address, and even more so in his long memorandum to the President, is that he ignored this dualism. Mr. Wallace holds on for dear life to the wartime theory that this is "one world." The only way he can make it stick is to shut his eyes to the contradictions between the two halves.

The faster we can dispel the "one world" myth on which "liberal" fairy tales about Russia rest, the sooner we shall achieve the mental clarity needed to head off a third world war. The temptation has been to treat every crisis in foreign affairs, whether in China or the Middle East, in the Balkans or Manchuria, as an isolated case. In that way we bypassed the ominous fact that each of them is simply a symptom of an over-all condition—of the division of mankind into two opposite political and moral camps.

But events are serving to blow away the fog of confusion. More and more Americans are beginning to comprehend that gas pains in the Arab region, violent fits in Yugoslavia, a rash of civil warfare in China, political indigestion in Poland, the acute distemper in evidence in Paris, are all closely related. They are all manifestations of the great duel between "two worlds."

If the Wallace mentality prevails, we shall lose that duel by default.

From Washington Ahead of the News

(Continued from page 1532)

fight against the incumbent Slaughter. But Truman persuaded it and once it agreed to do the job it proceeded to turn in precinct after precinct where Slaughter would get but one or two votes, his opponent three or four hundred. There is no suggestion in any quarter that this was not the way the vote was cast. But it is manifest that there was no thinking on the part of the voters. They voted blindly and dutifully as they were told.

In this light, you begin to see why there is a lot of breast-beating on the part of Leftists to extend the franchise. There is no real belief on the part of the agitators that certain people are being denied their constitutional rights. They want these additional uneducated masses to be given the franchise so they can use them as pawns in their great struggle for power. They would add nothing towards better government. They wouldn't know a better government if they saw one. They will make additional statistics for the Leftists to manipulate.

It is becoming increasingly apparent that what we need is a reduced vote, not an extension of the franchise. If the Democrats get through the November elections without disaster, we had better look seriously into that proposition that we are a free people. More likely we will be living in a vise from which we can't escape.

Aside from the international implications in the appointment of Averill Harriman as Secretary of Commerce, which we think are being badly stretched, business might get more comfort from it if it is taken in connection with what is happening in the Department of Labor. Keen Johnson, former Governor of Kentucky, more recently Vice-President in charge of public relations for Reynolds Motors, has been made Under-Secretary of Labor. He is to have charge particularly of departmental administration and to this end is bringing all the conciliators into Washington to see what can be done to improve their efficiency.

After all is said and done, however, we get the distinct impression that his job is to sell, the department to business, that he is to be, in this respect, a glorified public relations man. He is calling in businessmen, visiting with others, in an effort to sell them on the department's sincere desire to be of help to the man who has to pay the wages. This is a radically different conception from that of the department's functions in the past. It was created in 1913 as labor's baby, frankly to promote the cause of labor and as it turned out, the cause of organized labor.

Johnson is now seeking to convince labor leaders that the cause of labor can be best promoted by the department if it has the confidence of industry. We don't know what this will lead to, probably nothing, but it is interesting as to what is going through the minds of Truman and his advisers.

There have been seemingly reliable reports that Schwellenbach intended to resign as soon as Truman could find him another judicial post. He seems to have nothing of the kind in mind. That his advice has been repeatedly turned down at the White House seems not to annoy him. He seems to believe that before it is all over he will be hailed as having done a creditable job for labor and industry. In the meantime, industry seems to be showing increasing signs of resisting labor, whatever the cost. And Truman's hands off policy, generally speaking, is helpful.

Morris Fox Co. Merged With Milwaukee Co.

MILWAUKEE, WIS. — Joseph T. Johnson, President of The Milwaukee Company, well-known investment securities house, announces that the personnel of Morris F. Fox & Co. will become associated with The Milwaukee Company on Oct. 1, with headquarters at The Milwaukee Company's main office, 207 East Michigan Street, Milwaukee.

William G. Martin, Addison Haugan and Carl G. Hausmann, who will join The Milwaukee Company on that date, have all been with Morris F. Fox & Co. over twenty years. Mr. Martin, who resides in Milwaukee, became associated with the company in 1921; Mr. Haugan has represented Morris F. Fox & Co. in Janesville since 1921, and Mr. Hausmann has been with the company since his graduation from the University of Wisconsin in 1924. Morris F. Fox & Co. was founded in 1914 and has occupied its own building at North Water and East Mason Streets since 1921.

James W. D. Liginger, President of Morris F. Fox & Co., and widely known in financial circles for the past 25 years, is retiring from the investment securities business. He became associated with Morris F. Fox & Co. in 1921 and was elected Vice-President and Secretary in 1929. Upon the death of Morris F. Fox, founder of the firm, in 1935, Mr. Liginger became President.

This move is a continuation of the expansion program of The Milwaukee Company, which in 1941 merged with Edgar, Ricker & Co., the oldest investment firm in Milwaukee. It was formed in 1904. Morris F. Fox & Co. was the second oldest, having been founded in 1914. The Milwaukee Company also has offices in Chicago, St. Paul, Madison and Wausau, and representatives throughout Wisconsin.

Chas. Slaughter to Admit

Charles Slaughter & Co., 66 Beaver Street, New York City, members of the New York Stock Exchange, will admit Sergius Klotz to partnership in the firm on Oct. 3.

Efficacy of Price Control

(Continued from page 1539)

been able to maintain an orderly distribution and stable prices without having at its disposal a sufficient supply of commodities to meet the vital needs of the population in regard to food, clothing and other utility goods. Wherever there was an acute shortage in the supply of necessities, it proved impossible to prevent the population from trying to satisfy its imperative needs by purchases outside the official system of distribution and to do that even when very high prices had to be paid.

In the third place, account must be taken of certain important international aspects of the price control problem. If there is a fair measure of stability in the general level of prices on world markets, it may not be too difficult for an individual country to maintain stable prices. Thus, after 1933, Germany benefited by the relatively stable level of prices within the wide sterling area; and, although the individual countries did not clearly realize it, the generalized effort of 1942 to introduce an effective price control was, no doubt, a prerequisite for the success which they achieved in checking sharp rises during the latter stages of the war.

Fourthly, it is well to remember that a freezing of prices, such as happened in Germany during the war, eliminates some valuable forces making for economic adaptation and thus hinders rather than helps economic progress. An elastic price system has received more vindication during the second world war than is generally realized.

Fifthly, more should not be claimed for the price control than it has really achieved. The facts are that by the summer of 1946 wholesale prices in the United States had risen by 50% above the January-June 1939 level and the cost of living by 33%. For the United Kingdom the corresponding figures are 80 and 33%. The indexes of British and American import and export prices show increases varying between 60 and 100%. In some respects the largely uncontrolled price quotations applicable to transactions in foreign trade are the truest reflection of the real change that has taken place in the purchasing power of money.

What Has Happened in Prices

It is only by going behind the broad average figures and studying the behavior of the different commodity groups that one arrives at a fuller understanding of what has really happened. The following table shows the changes in the main items of living costs in the United Kingdom between 1939 and 1946:

UNITED KINGDOM—COST OF LIVING

Working Class Cost of Living—	Total Index	Food	Clothing	Fuel and Light	Rent
	September 1, 1939 = 100				
1939, monthly average	102	102	103	101	100
1944, December	130	122	167	145	101
1945, December	131	122	166	151	102-103
June	131	122	166	152	104
1946, March	131	122	166	151	102-103

The groups of clothing and of fuel and light have risen considerably more than the average, but rents are almost the same as before the war, being held down by a strict system of "ceilings," and the cost of food is low as compared with the general index. Rents payable for houses and flats need not be raised at once when an emergency occurs, since in the short run the supply of accommodation depends almost wholly on the number of houses already existing. When new houses are built, rents corresponding to the true economic cost will as a rule have to be charged (except when subsidies are granted).

A special story is attached to the relatively low cost of the food items. It is one of the achievements of the wartime price control that the rise in wholesale prices this time was much less than during the first world war.

Effect of Subsidies

It is, however, instructive to pick out the price rise for agricultural products and compare that rise with the corresponding change that occurred in the last war. For the United Kingdom the available data do not permit an exact comparison, but for the United States the graph shows an interesting correspondence between the curves for the seven years 1914-1920 and those for 1939-1945. The rise which has thus occurred on the American market has its counterpart in a number of other countries (compare the shape of the curve for the United Kingdom). In other words, the governments have not seen fit to hold down the prices of farm products, one reason being that they would hesitate to take steps which might jeopardize the production of commodities so important for the feeding of the population. But they wanted to ensure that the consumer should not be saddled with a heavy increase in living costs and they achieved their end by allowing high subsidies for keeping down the price of food. Such subsidies are still being granted in most countries, mainly for food but also for the cheapening of other goods and services; their total in 1946 comes to £334 million in the United Kingdom, over $1,000 million in the United States, Fr. fcs. 85 milliard in France and over Sw. fcs. 295 million in Switzerland.

Consequently, it is not the price control alone but largely the allocations by the ministries of finance which have secured the success of the price and cost policy, since it was the holding-down of living costs that made it possible to set a limit to wage rates, and it was thanks to that limit that a strong rise in all prices could be avoided. To make such a policy successful, however, it was necessary for the amount paid out in subsidies to be raised wihout inflationary effects, since such effects, if they had occurred, could easily have cancelled out the advantages accruing from the relatively low prices charged for food. It was, indeed, a necessary condition for the success of a policy of subsidies that financial stability should not be profoundly shaken and that, in particular, government credit should remain intact. When that was not the case, when, for instance, the price rise had already gone so far that current prices had lost all contact with prewar levels (having risen not 40 or 50%, but four or five times), when, in fact, the depreciation in the real value of the currency made it impossible to place large loans among the public, then the device of large-scale subsidizing would no longer arrest but only accelerate the inflationary movement.

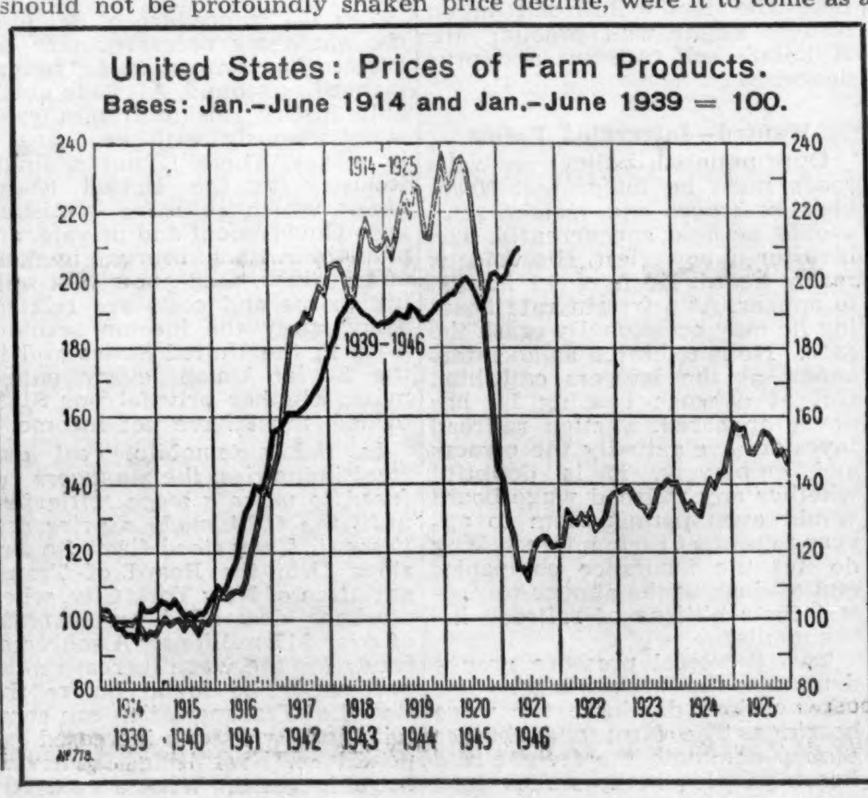
Another condition for success in the application of subsidies as well as in the application of price control (see graph) was that sufficient supplies should be available to the public under the rationing system; otherwise the public would be driven to black markets and the workers, by demanding increased wages to enable them to buy on such markets, would upset the wage policy. In many countries, however, conditions were present for an effective working of a system of subsidies and, so long as the emergency lasted, the governments were anxious to use the subsidies in order to keep the increase in wages as moderate as possible, well knowing that a wage rise would be followed by a price rise and necessitate greater and greater additions to the public debt.

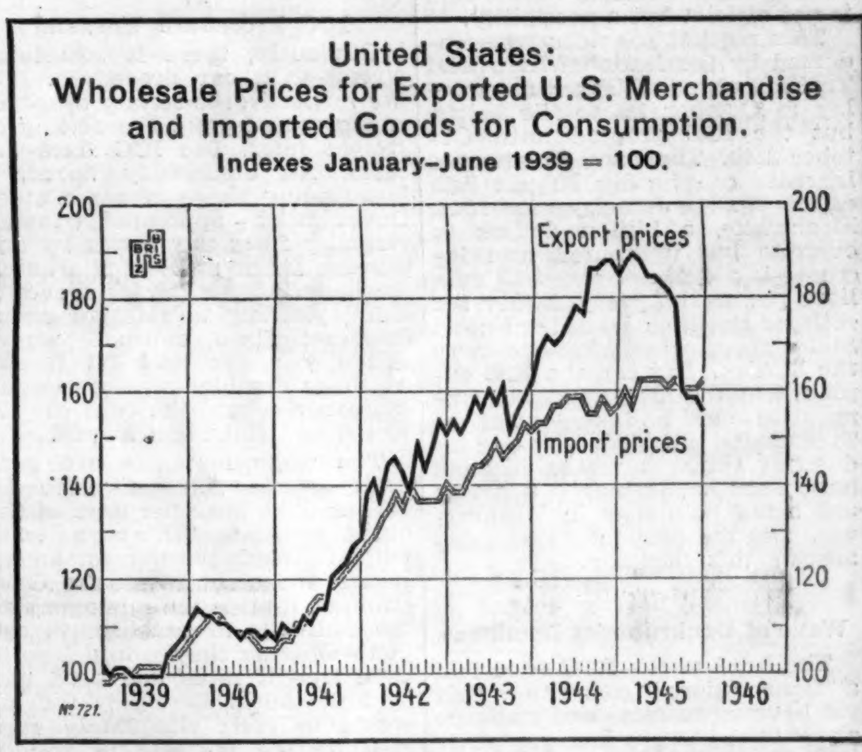
Only when the true nature of the wartime achievements is realized does it become clear what a difficult problem faces the authorities at present. The remaining large subsidies constitute a heavy burden on the budgets, limiting the amount available for fiscal relief or social reform. Subsidies are a most uneconomic way of helping the needy, for they give low prices also to groups of citizens for whom the basic cost of food is of no substantial consequence and who could therefore afford to defray the full cost directly instead of being subjected to the complication of paying via the tax system (including turnover and sales taxes which fall on all classes).

A sudden rise in the cost of living as a result of a cut in the subsidies may, however, have political and other consequences not easily overcome. After the last war there was, as may be seen from the accompanying graph, an abrupt fall in agricultural prices and this brought with a fall in the cost of living from the high levels reached in the first world war. Whether a similar fall in the prices of agricultural products will occur this time is open to doubt. The agricultural sector in many countries has been promised price support and it is likely that almost everywhere great political resistance would be directed against a price decline, were it to come as a result of changes in supply and demand on the markets for farm products. But the question whether it will prove possible to continue for any length of time a more pronounced increase of prices within the agricultural sector than in other sectors is not easy to answer. In this as in some other respects there are distinct elements of uncertainty pertaining to future price developments.

A New Wage Differential

The result of the price control, reinforced as it was by subsidies, has been that this time the rise in wage rates and in prices has been decidedly less than in the final phase of the last war. This fact assumes a certain importance for the trend of postwar business. It is probably true, however, that in the first year and a half or two years after the cessation of hostilities there was in any case bound to be a brisk demand for goods and also a rise in wage rates irrespective of the level of prices and wages reached by the end of the war. At least that had been the experience of the years 1919-20 when, notwithstanding the sharp increases during the 1914-18 period, further substantial advances occurred. Now, once more, a strong demand, making for a seller's market, has been the rule, this demand being in evidence also in relation to labor. Beween the summer of 1945 and the summer of 1946 there was, in the majority of countries, a rise in prices for peacetime goods and in the wage rates of specifically peacetime industries. In that way a new wage differential was established, which certainly helped to expedite the process of reconversion. But apprehension immediately set in: after the "boom" of 1919-20 came the "bust" of 1920-21; it was natural for the authorities as well as employers and employed to be anxious that this time the same sad experience should not be repeated. The steps to be taken would naturally have to be adapted in each area to the conditions there prevailing.





Note: The fall in export prices which occurred in the course of 1945 would seem to be connected with the gradual reduction and subsequent cessation of lend-lease shipments, the export value of which had been accounted for at relatively high prices.

Revenue Freight Loadings Up 112,686 Cars in Week

Loading of revenue freight for the week ended Sept. 14, 1946, totaled 907,169 cars, an increase of 112,686 cars, or 14.2%, over the previous week (which included the Labor Day holiday), according to the Association of American Railroads. This was also an increase of 51,068 cars, or 6.0%, over the corresponding week in 1945, and an increase of 15,683 cars, or 1.8%, above the same week in 1944.

The loading of revenue freight for the week ended Sept. 7, 1946, showed a decrease of 113,957 cars, or 12.5%, below the week ended Aug. 31, 1946.

ICC's Failure to Raise Rates an Important Cause of Market Decline

(Continued from page 1530)

a 6.30% return, but the industrials only 4.14%. Prime rails like Louisville & Nashville and Great Northern yield 7.00%. Why does the ICC delay in granting necessary adequate increases? Is it waiting for a catastrophe? As Fairman B. Dick told the House Judiciary Committee in 1943: "In April, 1931, the ICC regarded the railroad situation as so strong that a *reduction* in rates was warranted. Before the end of 1931 the ICC reached the opinion that the situation was desperate. During the short interval before the Supreme Court ordered the ICC to reconsider its views, the extreme optimism had been replaced by extreme pessimism."

II
Costly Delay

The National Association of Railroad and Utilities Commissioners asked that the ICC postpone until after Dec. 15 the hearings scheduled for Sept. 4, to enable the railroads to estimate better the volume of postwar traffic. It also "requested that 30 specified railroads be required to file estimates of carryback credits for 1946 and 1947 and suggested that the Treasury might have to pay a billion dollars, because freight rates were not raised." This sum is not official but a possibility.

This request for delay was endorsed by the National Industrial Traffic League. It asked for a delay to October 1st to file briefs, but the ICC granted until October 25th. Thus, any freight rate increase can hardly be put into effect until January 1, 1947. Meanwhile, a billion dollars in overdue but ungranted rate increase is a drain of about $3 millions per working day. *Either the railroad stockholders or the United States Treasury will have to carry the burden.* But can the ICC explain why a billion dollars of carryback should be taken out of the Treasury to subsidize farm and industrial shippers whose incomes have risen handsomely? Hearings are being held now in Washington. Let the proponents of delay answer this question.

III
Wave of Bankruptcies Imminent

The head of the RFC once told a Congressional committee that we have more facts and statistics about the railroads than any other industry and that what was needed was, not more investigation, but action. The following statistics come from the records of the Government and of the railroads. For the first seven months of 1946, the railroads carried about 325 billion ton-miles of traffic and showed a deficit of $58 millions, as against a net income of $131 millions in 1936 and 1937 and $135 millions in 1931, on about the same volume of traffic. Individual roads fared worse. The Baltimore & Ohio, Chicago North Western and Pennsylvania railroads, representing respectively a marginal road, a reorganized road and a blue chip, did not cover operating expenses, even though the Chicago North Western was drastically decapitalized. The Pennsylvania had investment income which helped cover part of the interest charges. New York Central, a railroad still solvent, and the Milwaukee, just through reorganization with great decapitalization, did not cover interest charges. What statistical rabbits is the ICC awaiting? Why does it heed these groundless and unwise pleas for delay?

Or let us examine a full year's results. *For the year 1946, the estimated ton-miles will total 490 billions and the net income a deficit of $18 millions. But for the full year 1941, on about the same traffic, the net income was $500 millions,* and in 1929, on somewhat smaller traffic, the net income was $897 millions. But what happened to wages in this period? The average hourly wage rate was 67c in 1929 and 78c in 1941 and $1.11 in 1946. Traffic is at the highest peak of any peace year. ODT Director J. Monroe Johnson stated that "the impending transportation crisis will compel some factories to shut down or curtail operations this fall and winter. The railroads simply cannot handle all the traffic which will be offered them during coming months." By Government bungling and delay in acting, *the railroads will end such a year of boom traffic with deficits.*

Why the delay in granting rate increases? From 1945 to 1946, net income shrank by $317 millions for the first five months and by an estimated $465 millions for the full twelve months, showing deficits both for the five months and for the twelve months. For the full year 1946, the Class 1 railroads will not cover their interest charges, including roads just decapitalized in bankruptcy. Some roads will not cover even their operating expenses. *Is the ICC deliberately trying to create a new wave of bankruptcies?*

IV
ICC Procedure Unsound

Obviously, there is something wrong with our procedure. *On the railroads, the setting of wages is segregated from the setting of freight rates.* The ICC fixes the rates. An emergency board, a fact-finding board of some other Government - appointed tribunal virtually fixes the wages by approving all or most of the union demands. At present the Government, yielding to railroad union pressure, fixes railroad wages virtually under political threat. At times Presidents have granted increases when the unions rejected an arbitration award.

The wage increases are generally made retroactive to an earlier date, near the date of the union demands. Thereafter, when railroads petition for an increase in freight rates, the Government invites the customers of the railroads to hearings to ask them whether they would like to have freight rates increased and by how much. *Rarely is the increase in costs adequately covered by the increase in freight rates. The resulting responsibility is not assumed by the Government, but is thrown on the management.* Technology then saves the day. Engineering, inventions and managerial efficiency reduce deficits.

If, as is usual, railroad freight rates are raised inadequately or late, *the investor foots the bill.* Is this a rational policy from the point of view of the public interest? Is it sound bookkeeping? Selling prices must cover costs. Certainly, costs may not exceed selling prices for long. Otherwise bankruptcy must result.

It would be easy to bankrupt any company if wages were raised unconditionally by one part of the management and if thereafter another part of the management would hold hearings among the customers of the company to inquire whether they would like to pay higher prices. *In all other than regulated business there is unified power to fix both costs and selling prices.* These are tied to each other.

V
Power Involves Responsibility

Power and responsibility must also be unified. Rates should be adequate to provide a "fair return" on the investment. This was the principle of the Esch-Cummins Act of 1920. This provision was honored in the breach rather than in the observance and was subsequently repealed. A similar provision was incorporated in the British Railway Act of 1921. However, the British railway-rate tribunal made an honorable attempt to live up to the requirements of the legislation.

President Roosevelt's Joint Railroad Committee of 1938 recommended that *"the commission shall permit the establishment of rates which will sustain an adequate transportation system; maintain credit to attract essential capital, and afford fair treatment to investors."* Yet, since 1938, railroad bankruptcies exceeded the highest figure in American history. Will the ICC heed these principles of rate-making in fixing final freight rates now?

The alternatives are clear. If the private investor gets a square deal, he will put up additional capital. Only thus can the railroads modernize, expand, and create opportunities for employment.

The Government assumes the power, but dodges the responsibility, with respect to both selling prices and wages. This reveals not cunning but stupidity. Selling prices and costs should be fixed simultaneously. This principle was recognized by the Federal Government when it dictated business policy during the war. The OPA had authority to raise selling prices to cover increased wages or other costs authorized by the OES (Office of Economic Stabilization).

VI
Labor Should Protect Its Industry

Intelligent labor leaders recognize this principle. When the clothing manufacturers had deficits, Sidney Hillman actually reduced piece rates and tried to devise means to increase productivity. Furthermore, the Amalgamated Bank, the union's institution, actually loaned money to manufacturers to tide them over a period of deficits. But railroad labor leaders show no such social vision. They are now demanding more "featherbed" rules, or "make-work" devices. In 1938, A. F. Whitney of the Trainmen Brotherhood, said: "The fact that the railroads have not the money is not our problem." Mr. Hay, the lawyer for this brotherhood, stated: "Ability to pay is not a proper element of consideration in fixing a fair wage." In the 1941 hearings the union spokesmen said that they "did not care where the money came from and that it was up to the investor to take the loss." Railroad union leaders might well practice Mr. Hillman's self-restraint and prudence.

VII
Wanted—Integrated Policy

Our national policy on railroads must be integrated. *Hearings on wages and freight rates should be held concurrently.* The investor is powerless. His voice is rarely heard. He is never invited to appear. At a freight rate hearing he may occasionally crash the gate. He is tolerated as an intervenor, as the lawyers call him. But at a wage hearing he has never appeared. Though railroad investors are actually the owners and employers, it is doubtful whether any railroad wage board would even permit them to appear to protect their interest. Why do not the insurance companies and savings banks appear to protest their billions of railroad investments?

Two powerful pressure groups dominate the proceedings. The labor unions dominate the wage hearings. The farm and shipper groups dominate the freight rate hearings. If both wages and freight rates were fixed simultaneously, there would be some reasonable balance of forces between the labor unions on one side and the farmers and shippers on the other. The unions would battle it out with the farmers. The investors would thus be protected.

VIII
Low Return on Capital

How did the railroads fare compared to other industries? The Department of Commerce reports the percentage change in profits after taxes for 960 corporations in 21 groups, for the first quarter of 1946 over 1945. The best group showed an increase in profits of about 130%, but *the railroads showed a decrease of almost 100%, the lowest of the 21 industries.*

What was the return upon the aggregate property investment? For the years 1931 to 1935, the railroads earned a 1.55% return. For the years 1930 through 1939, the return was 2.05%. For the year 1945, the return was approximately 4.92% and for the year 1946 should be only 2.30%, unless the ICC acts promptly. Is this a fair return on capital "to sustain an adequate transportation system, to afford fair treatment to investors and to attract additional capital"? What is the ICC waiting for?

What has been the result of the ICC's delay? *The net working capital* (excluding inventories and supplies) *of all Class 1 railroads has been shrinking sharply.* On Dec. 31, 1945, it was $1,650 millions and by May 31, 1946, it declined $300 millions. Within a year the railroads may become financially embarrassed, not because there is no traffic, but because rate regulation has become a cumbersome, bungling and irresponsible procedure, bound with red tape.

IX
Inflation Not Entailed

The proponents of delay ask the ICC to obtain estimates of traffic. But three months earlier. the railroads had already submitted their estimates for 1946 and 1947. The ton-miles in 1945 were actually 540 billions and for 1946 and 1947 will be an estimated 450 billions. To offset increased costs of over $2,000 millions, the railroads ask for an increase of $998 millions. *This increase per ton-mile is about two-tenths of one cent (0.2c).* The average haul in the United States is about 498 miles. The increase, therefore, for such an average haul would be $1 per ton, or 1c for 20 pounds and one-twentieth of 1c per pound. Surely, this will not cause inflation or burden the consumers' budget!

X
Delay Inexcusable

The ICC procedure of delaying the obviously necessary rate increases has proven to be fundamentally unsound. All facts available justify raising freight rates simultaneously with an increase in wages. There is not a single industry in the United States about which so many statistics, both Government and private, are available. Bookkeepers, bankers and business men know that selling prices and costs are related. They study the income account. Both in the United States and in the Soviet Union, every enterprise, whether privately or State owned, must have net income.

In the automobile, coal and steel industries, the managers refused to make a wage settlement until the OPA made a price settlement. They stood firm. So also stood firm the Board of Transportation of New York City, when workers demanded an increase of over $17 millions. "A source of funds for the wage increase must necessarily be found before the Board of Transportation can commit the City to such increased expenditure," resulting from the wage increase. What a sound, statesmanlike principle, based on elementary bookkeeping! *Would that the ICC would apply this principle. Would that Under-Secretary Schindler would use the same common sense!*

The ICC is a permanent OPA. *The railroad managers should refuse a wage settlement until the ICC makes a price settlement, for railroad rates cannot be retroactive.* No Government agency could flim-flam the automobile, coal and steel industries into paying wage increases without simultaneous offsetting price increases. Not only are the railroad freight rates controlled by the ICC but, apparently, also, railroad managers' minds.

The ICC should promptly raise rates by the full amount that the rialroads ask. The ICC could then order the railroads to impound the increased revenue subject to a final decision. State Utility Commissions often follow this practice. The ICC could later reduce such rates as seem to be too high.

Not only the railroads are affected by rate increases. General industry is affected. A leading economic service lists among factors disturbing business confidence "the postponement of ICC freight rate hearings." The railroads wish to make great expenditures for additional rolling stock and expansion and modernization of facilities. This will require continuing definite earning power, not a mere tax carryback from the Treasury for one year.

If the ICC continues its delays, improvements will lag on the railroads and unemployment will follow in the industries supplying railroads. Purchased by railroads of materials and supplies were $1,500 million in 1926 and 1927 as against $600 million in 1934-5, a shrinkage of $900 million. *Artificial deficits created by the ICC hurt the entire economy.* By delaying the needed rate increase the ICC has already reduced purchases and modernization plans by the railroads. Unfilled orders by railroads declined. This critical index is watched by business men as a forecast of depression.

The $1,000 million asked by railroads to cover increased cost of wages and supplies is equal to, but better than, a PWA financed by Treasury deficits. The "multiplier" has been working. This delayed rate increase of $1,000 million has caused a shrinkage in market value of more than 10 times as much. A prompt granting of the rate increase would be as stimulating as a PWA, but more confidence-inspiring.

The economic life of the country is integrated. Railroad rates are not in a vacuum or insulated from the rest of the economy. What distressing ignorance of this integration is revealed when the State Commissioners and the Traffic League plead for delay in raising freight rates and when the ICC consents to the delay!

Profits make an economy work. Deficits stall an economy. The ICC has no shred of justification for delay. It should raise rates promptly.

XI
Freight Rates Must Cover Costs

The pending increase in railroad freight rates is opposed because it will cause inflation and will divert traffic from the rails. However, the facts speak for themselves. *Freight rates did not initiate or participate in the great price rise since 1941.* They remained stable. But if increased costs are to be met, rates must be increased. The recent railroad wage increase totals about $675 million on top of increases in 1941 and 1943 totaling $694 million. From 1939 to 1946, the average straight-time hourly rate rose 51%. From 1941 through 1946, railroad operating costs increased by $2,029 million. The railroads now ask for an increase of rates to yield about $998 million. The balance of the increased costs will

amount to more than $1 billion if traffic holds and more if it does not. This difference would have to be overcome by engineering and managerial efficiency.

An increase in freight rates is needed to cover these increases in wages and material costs. The requested 20% increase in rates is insignificant as compared to the rise by Aug. 14, 1946 in farm prices of over 200%, and in raw material prices of over 100%.

The farmers cannot object to a rise in rates. The prices received by farmers rose faster than the prices paid by farmers. As a result, this ratio has risen 43% above 1939 by June of 1946, and much higher by the end of August. Besides, farmers enjoy both large crops and high prices.

Industrial shippers can afford to pay the increased rates. Materials and supplies bought by the railroads have risen 51% from June, 1939 to June, 1946. Since 1939, the price of automobiles has risen about 57% to compensate for wage increases.

On June 30, 1946, freight rates were the same as in June, 1939, and since then, the ICC granted an emergency increase of 6½%. This merely restores the tentative freight rate increase of 4.70% authorized by the ICC in March, 1942 and suspended in May, 1943. What was the origin of this increase? In 1941, railroad wages were increased retroactively by $360 million. The railroads petitioned for a compensating 10% increase in rates. The ICC granted an increase averaging less than 5% and not retroactive. *The ICC suspended the increase of freight rates, but no one suspended the increase in costs.*

XII

Would Not Divert Traffic

Another argument against a rail freight rate increase is that shippers will be increasingly driven to other forms of transport. This argument seems to be without a basis. The trucks operate on the public highways. But the railroads operate on their own private right-of-way, paid for and maintained by themselves. Yet, *the truckers have long been complaining to the ICC that they cannot compete with the railroads at the present rates. They plead with the ICC to compel the railroads to raise their rates* in order that the trucks may survive. As for ships, the recent sharp increase in wage rates per hour, resulting from the seamen's strike, has made the United States War Shipping Administration and the U. S. Maritime Commission plead with the ICC to compel the railroads to raise rates where competing with waterways. As for air transport, despite heavy Government subsidies, air cargo is limited to valuable, compact merchandise, such as jewelry, flowers, etc. Coal, lumber, steel, cement, and brick must move chiefly by rail. But even the railroads cannot move them at a loss.

The United States has not only the lowest rail freight rates in the world per ton-mile but, also, the highest rail wages per hour in the world—and the worst "featherbedding"! What a tribute to American inventiveness, engineering and managerial efficiency! The unions have not yet been able to invent "featherbed" devices to destroy America's leadership in low freight rates and high wages.

The railroads have been efficient. From 1921 to 1939, the average charge per ton-mile of freight decreased from 1.275c to 0.973c. In 1939, despite years of deficit induced by depression, by low volume of building construction and of heavy industry, the railroads reported new high records for all time for efficiency, as in the lowest consumption of fuel per ton-mile of traffic, highest average train speed, highest number of ton-miles per train-mile and per freight train-hour, while average hourly wage rates rose from 62c in 1926 to 74c in 1939.

XIII

Wages and Rates Should Be Fixed Simultaneously

My recommendation that wage rates and freight rates should be fixed simultaneously and should bear some casual relation to each other, is not new. There is a precedent. After the last war, the railroads found themselves in the same plight as today. In 1920, the freight rate increase was granted nine days after the wage increase. In 1946, the freight rate increase may not be granted until 1947, but the wage increase was made retroactive to Jan. 1, 1946. How can any business prosper under such misregulation?

XIV

Government Ownership No Solution

Government ownership is suggested as an alternative to a rate increase. But *Government ownership will solve no problems. No matter who owns a property, it cannot long operate at a deficit.* The deficit of a privately-owned company is borne by the stockholders or, if bankrupt, even by the bondholders. The deficit of a Government-owned business is borne by the taxpayers.

There is no magic in Government ownership. Even the ICC admits this. Its report of Jan. 21, 1936, sent to the President and the Congress, reads: "So long as we depend on private enterprise for transportation, the carriers must have revenues which will not only cover all costs, but provide profits large enough to attract the necessary flow of capital. There is no escape from this conclusion. And even a sound system of public ownership and operation requires earnings sufficient to cover all costs, including interest on debt, and prevent a burden on general taxation." Let the ICC now note its wise opinion then.

Again, under private ownership, the Government is, or should be, an umpire between opposing interests. The Government, however, usually decides in favor of the contestant controlling the most votes or having the best organized pressure group. But when the Government becomes the owner, no umpire is left. The Government becomes a partisan in the fight of the labor lobby versus the candidates in the next election. So the taxpayer foots the bill.

Experience with Government operation of the railroads in the first World War does not justify Government ownership. *The right answer is to operate the railroads as a self-supporting enterprise. It must pay its way. Selling prices must cover costs. Therefore, freight rates must be increased—and soon.*

The Government's Imminent Fiscal Policy

(Continued from page 1534)

to replace worn out goods and are ready to make original purchases, and have the wherewithal to do it. But much of the time they find that many of the goods they seek are not available. This enormous demand coming against the severely limited supply creates the "inflationary pressure".

One of the chief ways by which we fought inflation during the war and thus far during reconversion, was by direct restraint on prices through governmental regulations. This is desirable only for a period when, due to exceptional circumstances, such as the war, the law of supply and demand does not work. We must continue the direct regulation of prices a little while longer. That is because supply and demand are still out of balance in some commodities.

Here is what the government itself is doing in the battle against inflation. First, we are curtailing expenses. Second, we are urging the holding of the present tax line in order to create a government surplus to pay off the public debt.

Tax Levels Must Be Maintained

As far as taxes are concerned, of course, the Treasury's part is to make recommendations. Congress will legislate the tax laws. I believe, and I think that the Congress and the American people believe, that for our common good our present tax levels must be maintained for some time. This is necessary to achieve a balanced budget and a surplus to be used to reduce the public debt. I know you will agree that the debt should be cut as much as possible in exceptionally prosperous times such as these.

Now the government's first responsibility, definitely, is the balancing of the budget. When I took office as Secretary of the Treasury, I stated that it was the responsibility of the government to achieve a balanced budget — or better — for 1947. Whether or not a balanced budget for 1947 is possible has yet to be shown. But the Administration is bending every effort toward this end.

Budget Any Policy

We have reached the point in our battle against inflation where, I am convinced, we must emphasize more and more the long term solution of bringing supply and demand into better balance. The government in its program of reducing expenditures and balancing the budget is doing its part. Decreased expenditures mean lessened demand on goods in short supply.

President Truman emphasized recently that the executive branch must cut its expenditures even below the amounts already authorized by the Congress. This is a very important contribution to combating inflation which the government can make today.

Expenditures should be cut as sharply as is compatible with rendering the necessary governmental services and maintaining our national security.

Early in August, the President released revised budget estimates for the fiscal year 1947, estimating the budget deficit at $1,900,000,000. Considering that there are certain non-cash expenditures included in the budget, the government, in current cash transactions, will take in more money this year than it will spend.

Non-Cash Items

Thus, for example, most of the terminal leave pay — that is, over $2,000,000,000 of it — will not be paid in cash, but rather in terminal leave bonds. Also, the interest accruing on savings bonds, which amounts to about $700,000,000 for the fiscal year, is treated as a budgetary expenditure. But it will actually go to increase the value of the bonds, and will not be paid out in cash until the bonds are redeemed. Also, interest earned by government trust funds — which, in the aggregate, amounts to about $600,000,000 represents a non-cash transaction. As a result of these and other items, there will be what we may call a cash operating surplus of almost $3,000,000,000. The non-cash items will, of course, have to be paid at some date. But it is helpful that they do not involve cash outlays to the public at this time. This, of course, is a contribution to the battle against inflation.

While none of us likes the prospective budget deficit of $1,900,000,000, it is a great improvement over the estimates made last January. At that time the deficit was estimated at $4,500,000,000. Many of us had hoped that the improvement would be even greater. But what a tremendous change it is from the deficit of $21,000,000,000 in the fiscal year which just closed and the deficit of $54,000,000,000 in fiscal year 1945. Naturally, there should have been an improvement. For the war, as far as the gunfire is concerned, is over. But we have done much better in actual results than most people expected.

The President's Program

For my part, I pledge to do all in my power to make our record better and better in the future. Our President in his sound and capable leadership has set for us a program to reduce Federal expenditures immediately, to balance the budget as soon as possible, and to lower the public debt whenever possible. This is a program that affords an encouraging atmosphere to our American system of individual enterprise.

In the course of cutting down expenditures, I should like to think that the government is setting an example that will be followed by every individual throughout our land. I should like to think that every individual will do everything within his power at once to curtail his own expenditures for goods in scarce supply. This would be a gigantic effort and it would have gigantic results. This would be curtailing the "inflationary pressure" where it counted most. This would restrain the bidding up of prices in those fields where we have shortages. This would lower demand in critical fields so that our ever increasing supply would sooner match that demand.

Just as every individual should do all in his power to cut down purchases of scarce items so he should put all the money he can into United States Savings Bonds. This will help to meet the present problem of inflation and the individual will thus improve his own security. I urge our people to invest heavily in all sound forms of saving and particularly in the purchase of United States Savings Bonds.

Clearly the most satisfactory solution to the problem of balancing supply and demand is to increase the supply so that it can meet all comers. That day will come. And when it comes, if we have maintained our mass purchasing power on a level comparable to what it is today, our standard of living will be much better than any we have ever had.

Due chiefly to the vitality of our system of free enterprise, we have made a successful transition from the ending of the shooting war to the beginning of the peace. Looking back over the recent months, I am sure that we will find we have done the job well—despite the many crises.

We do not promise you an economic Utopia. Mistakes have been made and will continue to be made — since we are all human. But let me repeat a story which throws a side-light upon our American character.

According to one of our weekly magazines a visitor from England who had just finished a four-month trip across the United States was asked his principal impression. He replied:

"The United States remains the only place on earth where everything can be completely screwy and almost everyone can still get along quite well.

"You have buyers' strikes and new sales records marching along hand in hand; you break production records while workers are breaking records for striking; greater supplies of almost everything and greater shortages of everything tag right along together; politically, you put in most of your time complaining that that fellow in the White House doesn't do anything, while the last time I was here you were as unanimously complaining that that man in the White House would not stop doing things; almost everyone says the government is terrible, but almost no one seriously suggests doing much of anything about it except complaining; and along you roll irrationally, irrelevantly, and yet vastly more prosperously and cheerfully than any other people on earth."

Yes, America will go forward under its system of free enterprise, which has written for us a great history. We will go forward and break our previous records of production, of employment, and of income.

We have always been willing to accept any challenge to human betterment, and we can succeed again today because we possess the power and the philosophy, the confidence and the patience. We can go forward with hope and with full assurance, as long as we continue to face the facts.

Coal Production Rose During Sept. 14 Week

The Solid Fuels Administration on Sept. 24 estimated bituminous coal production during the week ended Sept. 14 at 12,700,000 tons, compared with an output of 11,160,000 tons in the preceding week 12,565,000 tons two weeks ago, and with 12,320,000 tons in the comparable week of 1945.

The cumulative soft coal output for the calendar year through Sept. 14, 1946 was estimated at 364,626,000 tons, which was a decrease of 12.4% below the 416,408,000 tons mined in the similar period of 1945 through Sept. 15.

In the Pennsylvania anthracite fields output for the week ended Sept. 14 approximated 1,255,000 tons compared with 1,032,000 tons for the preceding week, 1,278,000 tons two weeks ago, and with 1,144,000 tons mined in the corresponding week in 1945.

During the calendar year through Sept. 14, total production of hard coal was estimated at 42,445,000 tons, which was an increase of 9.7% above the 38,687,000 tons mined in the comparable portion of 1945.

Steel Operations at 90.4% Highest Since End of War

The American Iron and Steel Institute this week announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 90.4% of capacity for the week beginning Sept. 23, the highest rate for the post-war period. This compares with a rate of 89.1% for the previous week, 88.5% for the week beginning Sept. 9, 84.5% for the week beginning Sept. 2 and 89.4% for the week beginning Aug. 26. For the week beginning Sept. 24, 1945, the industry was operating at 83.6% of capacity. The previous post-war record was 90.3% for the week of Aug. 12, 1946.

The operating rate for the week beginning Sept. 23, 1946, is equivalent to 1,593,200 tons of steel ingots and castings, compared to 1,570,300 tons one week ago, 1,559,700 tons two weeks ago, 1,489,200 tons three weeks ago, 1,575,600 tons one month ago, and 1,531,200 tons one year ago. Current production will be the greatest since the week of Aug. 6, 1945, when indicated output was 1,610,000 tons.

Prospects of Economic Stabilization

(Continued from page 1535)
little practical consequence because measures and policies which might possibly be brought into play to counteract the excesses and abuses which lead to boom and inflation are most invariably held in abeyance. From the political point of view business cycle control is desirable only when efforts are being made, on the one hand, to expand enormously the volume of production and employment and, on the other, when something is suggested or undertaken to prevent their contraction.

The Washington government has been fearful of reaction from the war-born boom almost from the time hostilities ended in the Pacific. While it has paid a good deal of lip service to measures designed to ease inflationary pressures, it has consistently and persistently lent support to policies which were predicated on the thesis that sharp reaction, rather than dangerous inflation, was in early prospect.

Take, for example, the administration's postwar wage policy. Reduced to its lowest terms its purpose was to maintain the wartime level of money payments in order that consumers would have plenty of money to spend and, as a result, the wartime level of business and economic activity would be sustained.

Look again at the so-called Full Employment Act which attracted such wide interest early in the year when our political leaders and some of our industrial leaders were so fearful of far-reaching unemployment and when jobs for 60,000,000 became a political catch phrase. Like the administration wage policy the full employment bill proposed to maintain employment and wages and money income, and through them, the whole economy, at approximately the levels which prevailed when the war ended.

The Full Employment Act as it was finally approved contained a provision for an Economic Advisory Council, the members of which have been appointed within the last few weeks. I thought it was an interesting commentary on the economic thinking of the president that in announcing the appointment of Edwin G. Nourse, a distinguished economist, as Chairman of the Council the president said, in effect, that his principle responsibility in the newly created post would be to chart a course of action that would bring an early end to "booms and busts."

A few days later Henry A. Wallace, Secretary of Commerce, who in his book "Sixty Million Jobs" had missed the boat completely on the course of postwar business and economic events likewise issued a warning of the boom and bust economic ride the nation was taking, and called again for government action aimed, to be sure, at the recession which, he fears, impends.

When to Initiate Control

It is not my purpose this morning to forecast the course of economic events. It is rather to point out that if business cycle control and the stabilization of business are ever to get beyond the catch phrase stage, controls must be initiated not at the top of the boom, or even at the bottom, but at or near a level which, there is cause to believe, may reasonably be maintained over a relatively long period.

One searches almost in vain in the business cycle controls initiated in this country for action designed to hold expanding production and rising prices within fair bounds. In the early 1930s when business stabilization and cycle control were closely tied up with the price level it was the stated policy of the late President Roosevelt, by monetary and credit measures which I do not have time to review this morning, to lift prices to a level they had attained in 1926 and then by a system of controls to freeze them there for a generation.

But all that was forgotten, when early in the war, the processes that had made for declining prices throughout most of the decade of the 1930s were reversed and prices rose well above the 1926 level.

Theory of Government Compensatory Action

The second major business cycle control theory and policy of the government, in recent years, was that the government by controlling the flow of funds, by borrowing in times of subnormal business activity, and by high taxation when boom was in prospect, could and should iron out sharp irregularities in the curve of business activity by filling in the valley and leveling down the peaks. This so-called compensatory action by the government, like its price-lifting policy, was initiated in time of depression and promptly abandoned when action on the boom side of the picture was indicated.

The second World War afforded us an excellent opportunity to control the business cycle and thereby to forestall the recession and the deflation which are now feared. The exigencies of the war compelled the government to take over, and exercise, controls over every important segment of our economic life, over labor, over materials and over money and credit. With virtually unlimited controls over all these factors of our economic life the conditions were about as favorable for the prevention of abuses and excesses of the kind that precipitate violent business and price fluctuation as they could be.

But did the government which had set itself the goal of stabilizing prices at the 1926 level avail itself of this opportunity? Was the compensatory principle which had been adopted when business activity was normal carried over into the war period and its counterparts—high taxation and compulsory saving—adopted when the signs began to point clearly and definitely to boom and inflation?

The answer in both cases was of course, **No.**

Same Errors of Judgment and Policy

With the economic history of the first World War, and of the decade following fresh in our minds; in fact, with some segments of our economy still feeling the effects of the unsound policies we had pursued over the war and postwar years, we proceeded to make substantially the same errors of judgment and policy we had made twenty-odd years earlier. And because the military and industrial and financial operations of the second World War were of infinitely greater magnitude than those of the first the price ultimately to be paid for these errors and for our failure to act upon facts that had been so clearly established in our earlier war experience cannot fail to be higher. How much higher will be determined by the judgment we exercise, or fail to exercise, in dealing with critical situations as they develop in the months ahead.

But you may say I stress too much the role of government in stabilizing business. If I dwelt at too great a length on the government aspect of the problem it is because government for five years has largely dictated the course of economic events, or perhaps, more accurately economic events have been primarily the result of government policy.

In the light of that well-established fact it is in order to say that government efforts, at least the efforts of the American government, to prevent violent business fluctuations have been unsuccessful. If the facts were otherwise the government at this time would be concerned neither at the possibilities of sharp reaction or the more immediate prospect of a very violent inflation.

Can Prevent Business Fluctuations

If government, particularly democratic government, is not so constituted as to be able to prevent violent fluctuations in our economic life with all the hardships they entail must we conclude that nothing can be done in these fields, and that economic history with its booms and depressions must be repeated at more or less frequent intervals as long as our present economic and political system shall continue?

I think not. I am genuinely hopeful with the increasing understanding and knowledge we have of business and financial processes that we shall be able to prevent violent booms and equally violent reactions from them. Certainly those of us who have faith in our free institutions and have a large stake in making them work would be remiss if we threw up our hands in despair and declared that boom and depression were as inevitable as the rising and setting of the sun. They are not inevitable. If they cannot be completely eliminated the ills flowing from them can be very greatly mitigated.

Boom and depression as we know them in the United States are man-made phenomena. They do not just happen. They are the product, I am convinced of human frailty, of bad judgment exercised by producers, consumers, farmers, bankers, public officials, labor leaders and others whose actions and decisions are reflected far and wide in the world of business and finance.

Let us again turn back to the records following the end of the first World War and consider them in relation to the human frailty factor which, I have indicated, is at the seat of the modern business boom.

Let it be admitted, for purposes of argument, that a considerable acceleration of industrial activity and a measurable rise in price are normal in time of war and greatly increased public expenditure. When account is take of the extent to which modern governments confronted with abnormally heavy expenditures resort to borrowing through means which monetize their indebtedness, business acceleration, rising prices and speculation in anticipation of still further price increases follow as a matter of course.

To be sure the exercise of sound judgment in financing the extraordinary expenditures in question and, in the use of the funds provided for the task at hand, would pretty largely prevent economic and financial developments of the kind we take for granted in time of war.

Postwar Readjustments

But in this discussion I am not concerned, especially, with the stabilization of business and prices in wartime. My concern is with measures of orderly economic reconstruction when war is over, with the solution of problems of the kind that presented themselves in the latter part of 1919 and the first half of 1920, and by the same token, with the solution of the problems that confront us today.

In 1920 our economy was not so seriously disrupted that it could not have been reconstructed without the unhappy events that culminated in a great speculative boom in the late 1920s and complete economic collapse in the 1930s. Not at all.

The trouble was that there were aspects of the disordered wartime economy of that period that our political leaders, exercising the worst possible judgment, liked and hoped would become permanent. The high price of certain commodities and the relatively high levels to which security prices had advanced were among them.

So in order to sustain them at levels which by every reliable yardstick were inflated, that is, were out of line with long term values, we were sold (or should I say we sold ourselves) the philosophy of the new era. Its major tenet was that somehow everything had been changed by the war, that the landmarks by which we had been guided in the past—dollar wheat, if you please, a return of 5 or 6% on invested funds, low to moderate individual earnings—were no criterion of the future.

Through high prices and high wages and large speculative profits everyone was to have more and better than he had ever had before. And many were to realize this promise of abundance not by hard work or useful service but by getting a tip on a speculative stock or on the first race at his favorite track. In this view of the economic outlook the man who applied himself to his task and continued to believe in the virtue of thrift and industry and self reliance was dull, or belonged to an age that had gone by.

I was never much inclined to criticize the individual who took his money out of the bank in order to buy Florida real estate for a quick profit or anyone of several hundred listed securities on a very slender margin. I have often wished I might believe there were a pot of gold to be found at the rainbow's end.

Public Officials Should Know Economics

But public officials are presumed to know something of the facts of economic life. Certainly no one should be able to qualify for the most modest public office without understanding the source of wealth creation and realizing that governments have only such funds as they take from their citizens.

However in the months immediately following the end of the first World War our political leaders led us to believe everything would somehow be different. While the late President Harding delivered an inaugural address in behalf of returning to normalcy, a very sound speech incidentally, members of his cabinet began immediately to spread the philosophy of the new era. One of them said, for example, that it was wholly unreasonable to believe that prices would ever decline to the prewar level. They could not possibly give so much ground because we were on a new and different basis.

Equally unsound and dangerous expressions came from leaders in the fields of business and banking.

And to cap the climax and to aggravate enormously the losses to be suffered as a result of the exercise of so much bad judgment in so many directions the American banking fraternity which is charged with a very high measure of responsibility with respect to the institution of credit fell into all the errors and literally placed the savings of their depositors and the credit of their institutions behind this utterly unsound view of the nation's future.

It was thus human frailty both where reasonably one might expect to find it and human frailty and bad judgment where we ought to be able to find wisdom and a disposition to profit from past experience that led to the boom which was followed by reaction, then depression and finally the banking crisis and a long period of depression.

Control the business cycle? Only as the human race will learn and act upon the teachings of history, and as leaders in all important walks of life, business, government, education, labor, will be guided by sound principles and will exercise good judgment.

Present Needs

In concluding these remarks about some of the broader aspects of business stabilization I should like to make a few suggestions as to the need of the immediate situation:

1—We must divert our attention from jobs and money to production of useful services. I am firmly of the opinion that there will be jobs enough for all who wish to fill them, jobs providing plenty of purchasing power to ensure active production and trade, if only we will direct our effort to the production of more and better and cheaper goods. This is by way of saying that our political leadership has gravely confused for the last year, and in fact for a decade or longer, the essential features of a sound economy with the surface indications of a sound economy.

2—We must in our economy pave the way for the elasticity and flexibility upon which an effectively functioning economy of private enterprise depends. Particularly we must not be hemmed in by government regulations as to what in the opinion of some agency or some individual the facts of our economic life ought to be.

3—We must control public expenditures and we must provide by taxation whatever revenues are required to balance the budget whether the annual expenditure figure is $20 billions or twice that amount.

4—We must begin thinking and planning now about careful and prudent management of the public debt. Such planning will entail some sharp breaks with the policies and philosophies of the last ten or twelve years but the economic and industrial history of the country since 1932 scarcely supports the belief that there is anything sacrosanct about any measure or policy adopted for the purpose of lifting us out of the great depression. In fact there is much in the history of that period to indicate that some of the policies of those difficult years would have to be sharply modified, even completely reversed, if another great and protracted depression is to be avoided.

Municipal Bond Corp. Personnel Changes

ALTON, ILL.—The Municipal Bond Corporation, Commercial Building, announces that Vincent G. Hohe has been promoted to manager of the Alton office, adding office supervision to his responsibilities of investment service to Illinois and Missouri Bank accounts. Mr. Hohe, recently returned from overseas service in the U. S. Army, has been associated with the sales department of the firm for more than ten years.

A. Darrel Fowler has joined the sales department of the Alton office and will specialize in municipal investment recommendations to bankers in a territory embracing an area in Southern Illinois and Southern Missouri. Mr. Fowler recently returned from three years' service in the U. S. Navy, having been stationed in the Pacific zone.

Hawkes Admits Kershaw

Hawkes & Co., 14 Wall Street, members of the New York Stock Exchange, will admit Ralph R. Kershaw to partnership on Oct. 1.

Trends in Industrial Relations

(Continued from page 1536)

Of course it should be evident that higher real wages can only be obtained out of increased production. It should be the major interest of all real labor leaders to use every possible means to avoid work stoppages and to increase every variety of useful production in order that there may be more products to divide among the producers. Strikes are industrial warfare. They are destructive, like all warfare. They are only justifiable when necessary to destroy the tyrannical powers of those who would exploit labor.

Political Power of Labor

In the long struggle of labor organizations to gain for the workers their proper influence in regulating the terms and conditions of employment, the unions were really fighting to maintain the essentials of a free economy and democratic government. But, that struggle has been won. Organized labor has so much political and economic power today that its leaders can exercise greater authority in government and in business than the representatives of any other single element of our society.

Labor fought for the right to organize and to bargain on equal terms with employers. But, bargaining on equal terms calls for the exercise of intelligence, patience and sweet reason. It seems much easier, when one has the power, to dictate the terms of a contract, instead of to argue and plead and compromise. But in a free economy and a democratic society no one should have the power to dictate.

The desire for individual freedom is so deeply rooted in human nature that the would-be dictators can never be the faithful servants of mankind. There is some logic in striving for dictatorial power as the way to satisfy the selfish interest of the dictators. Or, if they have the customary delusions of grandeur, they may convince themselves that their efficient tyranny will be better for the race in the long run than the ultimate determination of all issues by the decisions of average intelligence.

No Logic in Labor's Program

But, there is no logic at all in the present programs of labor leaders who seek to obtain and exercise dictatorial power on the assumption that the freedom and prosperity of the common man will thereby be advanced. A labor organization, in order to gain the size, the discipline and the economic power to dictate terms to the American people, must become undemocratic in its organization, its methods and its influence. So long as labor unions are engaged in waging war against employers and the public they will be, and must be, like all war-makers, tyrannical at home and abroad.

And so, as the labor movement has become more and more a political movement it has become more and more hostile to democracy. It has become more and more revolutionary. The early labor leaders were fearful of this trend toward a class-conscious labor party. "Reward your friends and punish your enemies" was their simple slogan. It is still the wise purpose of most labor leaders to avoid committing their followers wholly to one political party. But as labor's political power has grown, it has become plain that if both the Democratic and Republican parties are going to yield to organized labor on all issues upon which labor is united, we are going to have a class government no matter which party is in power. There is one major issue upon which labor is united; and on this issue—the maintenance of irresponsible labor power—it is supported by a coalition of Democratic and Republican labor politicians.

Need of Legal Limitations

We have had ample evidence in the last year that unless there are legal limitations imposed on the right to strike, the constitutional, democratically-controlled government of the United States will become subservient to an unconstitutional, undemocratic, irresponsible government by organized labor. The right to strike should not be destroyed, if it could be destroyed by law. The right to strike should be preserved as a last resort of men who would rather cease work and suffer loss of earnings than to continue their employment under unjust conditions. But the right to strike, for any reason or for any purpose that appeals to the selfish interests of a labor union or to the ambitions of its leadership, has been so abused so frequently, and with such disastrous effect upon the general welfare, that there is urgent need to have a legal line drawn clearly between a lawful and an unlawful strike.

It should be recognized that a strike is a form of civil warfare which should be avoided whenever economic justice can be obtained through peaceful means, and the essential freedom of labor can be preserved.

A strike is not merely a peaceful withdrawal from work. A strike is not merely a refusal to work under unacceptable conditions. A strike is a forceful attack against one or more employers and usually against the public. Strikes are declared for the purpose of compelling employers to yield to labor demands.

A strike is maintained, first, by controlling the labor supply so that no substitute workers can be employed and, second, by preventing other would-be workers from being employed. A strike is carried on by causing as much damage as possible to the employers affected and as much suffering and loss by the general public as it will endure.

Thus, a strike depends for its success on a series of fundamentally illegal acts. There is the maintenance of a monopoly and the enforcement of a monopoly price. There are the elements of what is commonly called extortion. There is an illegal interference with the rights of private persons and of the public to have access to private premises and to use freely the public highways. There is the threat of bodily harm, grave injury and even murder, in order to terrorize all opposition.

There can be no question that such an assault on private rights and the public welfare can be made entirely unlawful. Even if a strike were a simple withdrawal from work, and supported only by peaceful persuasion, it could be made unlawful wherever there is a reasonable obligation on all concerned to continue a vital service.

A strike against a public utility service should be made unlawful, and at the same time provision should be made for the impartial determination of issues in dispute between the management and the labor who have devoted their properties and their service to the public.

Political Strikes Unlawful

Every form of political strike could be and should be made unlawful; that is, a strike for the purpose of coercing a public official or a public body, in the exercise of public authority.

Any strike of such magnitude that it will cause widespread suffering and hardship should be made illegal at least until full opportunity has been given for the settlement of the dispute by private negotiation or with the aid of government mediators or through impartial arbitration. It should be the legal obligation of employers and employees, who undertake to provide the essentials of life for large numbers of people, to seek a peaceful settlement of their differences by arbitration after the failure of genuine collective barganing.

Legislation Advocated

Now as a practical matter, should the Federal Government enact legislation which will make strikes or lockouts unjustifiable in the majority of important labor disputes, and which will outlaw those strikes which, by their nature or result, should be defined as illegal? Could such laws be enforced? I have made so many speeches and written so many articles on these questions that I do not feel it necessary to weary you with any detailed answers. The job should be done and it can be done only by the Federal Government, which has endowed labor unions with those special privileges which have developed a labor power so great that those who wield it must be made responsible for the protection of the public interest.

The last session of Congress, and recent developments, have shown the only practical way in which Federal legislation can be enacted. That way is by a coalition of Democrats and Republicans who want to see our free economy and our democratic government preserved, and who realize that these labor organizations with their tremendous political and economic power must be required to use that power as servants and not as masters of the American people.

Traditions of Free Economy Still Strong

There are large sections of the United States, north, south, east and west, in which the traditions of individualism and a free economy are still strong. Some of these sections are normally Democratic; some normally Republican. It would be exceedingly difficult for their voters to be united in one party. It is not at all difficult for their representatives to unite in the Congress in a coalition against Democrats and Republicans who are elected from those sections where subservience to labor bosses is the purchase price of public office. In the last session of Congress, such a coalition passed the Case bill and had almost enough votes to overcome a presidential veto.

Democratic-Republican Coalition Against Labor Tyranny

At the present time the Democratic Party is struggling to maintain itself in national power through holding the conservative Democratic vote in the South and Southwest and adding to it a radical labor vote in the great industrial centers. The Republican Party is striving to hold its conservative vote in the predominantly agricultural regions of the North, the East and the West, and to augment that strength by catering to the radical labor vote in the industrial centers.

It is inevitable that, through the bi-partisan effort of labor politicians to elect either Republicans or Democrats in the industrial centers, we shall have again in the next Congress a Democratic-Republican coalition of captive labor agents. This should be offset by a Democratic-Republican coalition of free representatives of a free people.

This is a nation of working people. Farmers, small businessmen, and millions of unorganized workers enjoy the freedom of their labor. They are not seeking to control the economy or the government of the nation. They are not long led astray by economic bosses or political bosses who promise them security at the price of liberty.

There are millions in the ranks of organized labor who would rejoice to be free from their servitude to labor bosses over whom they have not the slightest control. The wage earners who are willing to be slaves of a labor dictatorship are a small minority of the entire population. But, through the political and economic power of the labor monopolists, aided by their coalition representatives in government, this small minority is steadily acquiring the power to dictate the terms and conditions under which the rest of the American people shall be permitted to live.

We should not wait until this organized minority has taken over the control of government with its private armies of pickets and sluggers. We should challenge the organization of a private tyranny before it grows so great and has captured so many key positions that it can terrorize and starve the nation into submission. I am not advocating the election of any Democrats or Republicans as partisans this fall. But I am advocating the election of free representatives of a free people under both Democratic and Republican banners, in order to provide a coalition that, in the next Congress, will be able to defeat the coalition of captive labor agents, who have been running the economy and undermining the government of the United States.

Mr. Dalton's Washington Visit

(Continued from page 1535)

struction and Development, and that Britain was treated not as a partner but as a subordinate.

The result of this feeling was that the Governments of Australia and New Zealand became more reluctant than ever to join the arrangement. They were certainly not pressed to do so from London, not even after the ratification of the Washington Loan Agreement by Congress. Indeed, while the British Government intends to carry out strictly the letter of the agreements, it is inclined to endeavor to avoid going beyond their letter. It had no intention of making use of their facilities for the requirements of Britain — a fact reaffirmed by Mr. Dalton at his Press Conference on September 16. And its collaboration, while strictly in accordance with the statutes of the two institutions, is meant to be far from whole-hearted. The fact that Mr. Bolton, the British executive director of the Bank, has retained his office with the Bank of England and only means to pay occasional visits to Washington characterizes in itself the lack of enthusiasm in British official circles for playing the secondary part assigned to this country at Savannah.

Needless to say, from the point of view of Britain's influence on the Boards of the two institutions, the absence of Australia and New Zealand cuts both ways. Their presence would strengthen the British voting power, even though both Dominions have lately shown some signs of being prepared to take an independent line. On the other hand, so long as a by no means inconsiderable section of the British Empire keeps aloof, there will be a strong inducement, in case of difficulties, for Britain and other British countries to try to work out their salvation by breaking away from the Fund. It is obviously to the interest of the United States that the largest possible number of countries should join the Bretton Woods scheme.

It seems probable that, as Mr. Dalton observed at the Press Conference, the British Government would be in a position to influence to a large degree the decision of Australia and New Zealand. And there can be no doubt that the British Government's attitude in this respect will entirely depend on the United States Government's attitude at the Washington meeting. Should the Savannah experience repeat itself, and should Mr. Snyder follow Mr. Vinson's policy of aiming at a 100% diplomatic victory, Mr. Dalton would return to London with the conviction that the less Britain and the British Empire has to do with the Bretton Woods institutions the better. In that case the two Dominions would certainly not be pressed to ratify the agreement; in fact, should they ask London's advice it would be given in the opposite sense.

In well-informed circles it is hoped, however, that the personal change at the United States Treasury has resulted in a change of attitude. Mr. Snyder is believed to be less uncompromising than his predecessor was. Should he be in a conciliatory frame of mind Mr. Dalton is certain to meet him halfway. The terms of the two major financial and trade agreements, concluded on the same day, with the Argentine and France, show that London is by no means in an uncompromising mood. Both agreements were preceded by prolonged hard bargaining, and for some time it looked as though they might result in a deadlock, to the detriment of Britain as well as the other bargaining parties. In the eleventh hour Britain made some sweeping concessions, and so did France and the Argentine, far beyond the limits of their original intentions. The resulting agreements are considered to be far from satisfactory from the point of view of any of the parties. But this is better than a breakdown of the negotiations. It is also much better than agreements representing a triumph for one party and a defeat for the other. Instead of the resentment that would arise either from a failure to agree or from terms imposed on the weaker party, the conclusion of the two agreements has given rise to a revival of the old friendly sentiments between the parties. It is fervently hoped over here that Mr. Dalton's Washington visit would produce a similar effect on American-British relations.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following weekly firm changes:

T. Ferdinand Wilcox, exchange member, and general partner in Wilcox & Co. will become a limited partner effective Oct. 1.

Transfer of the Exchange membership of Constantine Hutchins to John Parkinson, Jr., will be considered by the Exchange on Oct. 3. Mr. Parkinson will continue as a partner in Hutchins & Parkinson.

Transfer of the Exchange membership of Ralph H. Hubbard to Reuben Rose will be considered on Oct. 3. Mr. Rose will do business as an individual floor broker, it is understood.

Transfer of the exchange membership of Gustav Epstein to Jack Adler will be considered on Oct. 3. Mr. Adler will act as an individual floor broker it is understood.

McKenna & Morris will dissolve as of Sept. 30.

As We See It

(Continued from first page)

again being aired, and many are asserting that a "cost of living bonus" to all fixed wage or lower salary earners is becoming, if it has not already become, a necessity. Union leaders are evidently "feeling out" their membership and the public at large to determine the wisdom of initiating another "wave" of wage demands buttressed upon the rise in the cost of living since most of the wage grants of the past year were made.

All this tends to divert attention from an aspect of the current situation which is of even greater importance, if that be possible, than the matter of wage rates or other arrangements which result in higher wage payments per hours or per week. The public needs to be alert to the basically fallacious reasoning employed in most of the current discussion of wages and the cost of living, lest it be led into costly errors of judgment and policy. But even more it needs to understand what it is that enables a business enterprise to pay any wages, and in particular what makes it possible for employees generally to obtain higher pay without increasing the cost of living in such degree that their apparent advance in economic position is nothing more than a snare and a delusion.

Out of Current Production

For any substantial period of time wages can be paid out of current production and out of nothing else. Wages moreover are not the only claim on current production. Certain other elements of cost are fully as unavoidable and as fundamental as wages—depreciation, obsolescence, depletion, and at least a measure of profit sufficient to make it appear to the entrepreneur to be worth while producing, for example. Now, unless some of these other cost factors can be reduced without crippling industry, obviously the wage earner can obtain a higher real income only if he produces more. Such, by and large, is the situation as it stands today, and the hope of the wage earner lies in his own behavior—his own behavior when at the lathe, the work-bench, the wheel of a truck, or wherever he works.

This phase of the subject is commonly termed "productivity of labor," and is sometimes mistakenly supposed to turn wholly upon the willingness of the individual to exert himself. The matter is, however, much more complex than is thus suggested. What is at question is really the productivity of a system, and it may and often does depend upon a great many things other than what labor does or does not do. In general, it is far beyond the control of any individual workman or small group of workmen. Invention, production techniques, management skill, and many other factors enter at one time or another into the picture.

It so happens, however, at the present moment that productivity is largely, indeed almost wholly, a matter of the behavior of labor taken collectively. A steadily declining work week, accompanied by a generally rising money wage rate during the past decade or more, has kept the ingenuity of technicians, managers and all the rest constantly under pressure to do all humanly possible to offset these higher basic labor costs with technological improvements. It is scarcely conceivable that this type of progress can be accelerated further. Indeed, it is to be doubted whether in many industries it is possible to maintain the rate of speed obtaining in recent years. Profits can stand no further whittling, and the more rapid the progress in technology the larger the obsolescence costs; the more mechanized, the larger depreciation and investment costs inevitably become.

A New Attitude Needed

Savings must come in reduced wage costs per unit of output, and this reduction must be effected by a fundamentally altered attitude on the part of the great rank and file of wage earners, particularly of organized wage earners. A great deal has been said about "feather-bedding" in recent months. It is a subject about which there should be no silence until such practices are rooted out of our economic system. No wage earner anywhere in the land (with the exception of the immediate beneficiary—and even he will not benefit if the practice is carried too far or is practiced too widely) or any one else in the country, can ever hope to have the fullest share of economic welfare open to him so long as these practices remain widespread throughout the economy.

But even this evil at least in its more formal form must at present perhaps be assigned a place of importance second to a more general, less easily defined infirmity from which virtually all workers of the day appear to be suffering. It is a sort of industrial malaise which keeps them in a ferment ready at any moment to interrupt the production process upon the slightest provocation, indeed upon no provocation at all. Even when the "big strikes" are more or less removed from the scene; even when stoppages of magnitude great enough individually to attract a great deal of attention are not present; even in what is regarded in this day and generation as a "quiet" labor front, workmen are refusing to work in sufficient numbers at critical points in industry to make it possible for the mass industries upon which the economic system of the United States rests to continue to operate with that smooth continuity upon which their success depends.

Hardly a day passes without some one having something to say about the laggardness of the motor industry, the customary leader in American industry. A good many columns have been written about the causes of this unprecedented situation. Yet the explanation is simplicity itself. Among all our industries this one is perhaps most nearly at the very top of a long series of sub-manufacturing industries, and accordingly can operate successfully only if these industries feeding it can keep going on an even keel. These sub-industries simply have not been able since V-J Day to do any such thing. If one of them is going reasonably smoothly, then another is out of gear. One result is very low production in the motor industry; another is no profit in the motor industry.

Why?

Why do we have all this trouble? There seems to be a virus in the air which produces a kind of psychological fever in industrial areas. At any rate a mental state seems to prevail which must be eliminated, whatever its cause, if any of us are to prosper. War strain, foolish notions acquired from God knows where and fomented by professional trouble makers, often with foreign backgrounds, the influence of restless veterans, the effects of more money in the pocket than in the past, the New Deal preachings, and a half-dozen other influences are usually cited to explain this state of mind. All of them doubtless play a part.

What is clear beyond question is that we shall have to settle down to work in this country—and do so without further delay—if we are to realize a tenth part of our post-war dreams.

Food Supply and Price Considerations

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must be marketed as a price that the average person can afford to pay — or there will be insufficient demand.

These two fundamentals are closely related, a fact which business men have realized for hundreds of years. Unfortunately, our amateur controllers in Washington have been uninformed, or misinformed, on these points. They have recognized the second one but not the first. For years they have placed all of the emphasis upon prices and none upon supply. For four years, grocery spokesmen wrote, wired, telephoned, and journeyed to Washington, trying to teach those fellows this elementary business fact. They were still trying to do so at the end of June, this year, when the original price control law passed ungracefully from the scene.

There followed a month in which the food industry supposedly operated in a free market —unhindered by controls which stymie production and prevent a full flow of goods to market. But there was no actual holiday so far as production was concerned. Not knowing how long the period of no price control would last, whether there would be a new price control law or not, manufacturers simply couldn't get back to normal.

Then, Congress passed the Price Control Extension Act under pressure from the Administration, labor, so-called consumer groups, and others. But, it amended the act to make certain that the administrators of it would have to recognize that elementary business principle just mentioned. The new price law takes some of the emphasis from price and places it upon production — upon supply.

That is the way it should be. Peace-time price control must have a much broader goal than the war-time control had. True, it has the same basic purpose of preventing inflation but, at the same time, it must allow industry to get into full production so that supply can eventually equal demand and thus erase the threat of inflation — and the need for government control of prices.

Situation Today

And so the food industry today is presumably operating under a liberalized form of price control. But the situation is not much better. It is still difficult to explain elementary business principles to OPA men, it still takes a long time to force the elimination of production obstacles, and there is still a large amount of uncertainty in the picture. Grocery manufacturers, nevertheless, are doing their utmost to produce a sufficient supply of essential food and grocery products at reasonable prices.

Note those two words "reasonable prices." Are grocery prices today reasonable? Many people think that they are not. Probably the wife of almost every man here today has at one time or another complained of an increased grocery bill — and put the bite on you for more house money.

I know. It has happened to me!

Certainly food prices are higher, but so are earnings. The question is: Are prices in line with our present economy? When you look at all of the facts concerned, it is evident that prices have risen in similar proportions to the increases in farm prices and wages!

The major everyday costs involved in the production of a grocery store product are the cost of the ingredients used and the wages paid to the men and women who work in the plant which produces it. What has happened to these costs in the past five years?

Well — according to government statistics — prices received by farmers for food products have risen 72.4% from 1940 to the end of June, 1946.

During the same period, hourly earnings received by food plant workers have increased 34.5%.

The prices of food products represented in the Bureau of Labor Statistics Index increased 49% in the course of the same period of time. This increase, it must be remembered, pertains only to a list of 78 specific items. There are more than 4,000 in the average food store and prices of a great many of these have remained stationary since 1942.

It seems apparent, therefore, that grocery prices are within reason when we consider increased costs of production. And these increases are undoubtedly justified. I do not contend that they are not. But I do contend that anyone who expects the price of a manufactured article to remain stationary while production costs are on the rise, needs to go back to school and study arithmetic.

I have cited only two cost factors involved in production. You gentlemen are controllers and know better than I do all of the other costs involved. Costs of containers have risen, freight rates are up, taxes are up, machinery prices are up. You complete the list.

Food plant workers are not the only ones earning higher wages in 1946 than in 1941. The steel worker, the coal miner, the railroad engineer, the truck driver, the automobile mechanic, the store clerk, the office worker — your secretary — all are receiving a much higher wage, than was standard for that same position in 1941.

Of course prices are up. With heavily increased costs of production, prices must go up or there will be no supply.

As I stated before, the question is not have prices gone up but are prices reasonable? Are they in line with earnings? Is the average American family spending the same percentage of its weekly income for grocery products as it spent five years ago?

Let's look at some more government figures. In this case, we'll compare government statistics for 1939 with those for 1945.

First, let's look under the heading of "Disposable Income." In 1939, the disposable income in the United States was $67.7 billions. The American people had that much to spend if they wanted to spend it. Of that amount, 14.8% was disposed of in food stores. In 1945, disposable income had risen to $139.6 billions but food store sales accounted for only 14.3% of that sum. In other words, in six years the disposable income in this country had more than doubled but the percentage of food store sales compared with disposable income had decreased five-tenths of 1%. These figures would certainly be a lot different if food prices had risen out of proportion to income.

There are other government figures to prove the point. In 1939, total compensation to civilian employees in the United States was $48.1 billions 20.8% of that sum was spent in food stores. In 1945, total compensation to civilian employees had skyrocketed to $120 billions but only 16.7% of that amount was spent

in food stores. There's a percentage decrease of 4.1%.

Consider the fact that millions of American families are eating better than ever before in their lives, that their purchases of quality food products which they are enjoying for the first time are creating tonnage increases in grocery sales as well as dollar volume increases, and I think you will agree that food prices are "reasonable."

The figures that I have quoted, however, must be digested with two reservations. One is that a certain segment of our population is paying a greater percentage of income for its table supplies. That is the fixed income group, people on pensions and the like. They are suffering financial hardships at the hands of a government operation that has tried to control prices without controlling wages and other costs of production.

Secondly, there have been a number of price increases on food and grocery products since the end of June. These have been granted, however, to help bring prices in line with production costs. The ratio between the two, I am certain, still favors food prices.

Supply

Now for a look at today's supply picture.

American farmers have outdone themselves in growing record-breaking crops this year. A million World War II veterans returned to the farms and helped grow bumper crops of wheat, corn, and other grains. Supplies of potatoes are much greater than last year and the sugar situation shows improvement although supply is still below demand. There are more canned fruits and vegetables coming on the market than at this time last year. The two remaining serious shortages are in fats and oils, and there is no sign of early improvement.

Recent figures from the Department of Agriculture show that the 1946 crop volume will be 2% over the previous peak of 1942 and 26% higher than the 1923-1932 average.

The corn crop, according to September 1 estimates, will be 3 billion, 371 million, 707 thousand bushels as compared with 3 billion, 18 million, 410 thousand bushels last year and 2 billion, 608 million, 499 thousand for the 1935-1944 average.

Wheat production is estimated at one billion, 167 million, 319 thousand bushels or about 44 million bushels more than last year.

All in all, America is harvesting the largest quantities of food grains in its history.

This abundance of supply comes at a time when it is sorely needed. America's contributions to famine relief abroad required the drainage of our food pipe lines so that supplies for domestic use were depleted almost to the vanishing point. Now, thanks to the weather man and the farmer, the pipe lines are filled again and grocery manufacturing plants which a few months ago were either shut down or operating at a fraction of capacity are beginning to hum. The supplies of of many foods are still short of today's record demand but the situation improves gradually.

White bread has returned to the market following cancellation of the government's 80% wheat extraction order for flour millers and there is good reason to believe that regulations limiting domestic distribution of flour and the use of grains by food processors will also be eliminated. Such action will further hasten the flow of familiar grocery products to market.

Future Prospects

So much for conditions today. Now, how about tomorrow? And the day after tomorrow?

I use the expressions "tomorrow" and "the day after tomorrow" advisedly. Industry, in looking to the future — and in planning for it — must look at two programs. One is for "tomorrow" which is the period from today until June 30, 1947, when, let us hope, the Price Control Act will expire. The other is for the "day after tomorrow" when industry will once again operate under the free market system.

There is actually little short-range planning in the grocery industry today. Conditions are bound to be unsettled during the next 12 months. The price control law, although it correctly places emphasis upon production, is nevertheless complicated and difficult to administer. And, it continues a policy of price control but not wage control.

Inequities in pricing regulations will continue to hamper the production of many food products. We hope that conditions in our industry will improve in the next year, but we can't plan on it.

Long Range Planning

Even long-range planning is beclouded to some extent by planners who look forward to solving the problems of the world with American money and American food.

You will all recall the pre-war attempts by the government to furnish one-third of the nation's population—allegedly ill-fed and under-nourished — with adequate food through the distribution of surplus foodstuffs. At first, these foods were distributed through municipal welfare offices by a surplus marketing agency. This system didn't work very well. There was no balance. One week, relief clients were swamped with cabbages, the next week with flour, and so forth. The receipt of a carload of apples by an up-state New York village in the heart of the ample-growing country, helped put the finishing touches to such distribution.

Then the Department of Agriculture called upon the food industry for help and it came up with the food stamp plan which worked pretty well.

It is noble of mankind to want to help the under-privileged and no one can condemn the man who foster such a movement. However, their enthusiasm for the cause often results in their overlooking important points which are paramount to the success of the undertaking — and result in its failure.

We learned, for instance, that people who have never eaten properly must be taught the value of a balanced diet, and educated as to the nutritive value of foods, before they can be helped. You just can't throw the food at them and expect them to make proper use of it. In fact, many of them won't even use it because it is foreign to them. They have gotten along for years on beans and salt pork and they say, "why should we change now?" Sure their children are scrawny and ill more often than they should be, but they don't know it is because of the food they eat.

That was part of our experience in trying to feed one-third of America's population. Now, there are efforts being made to attempt the same thing with two-thirds of the world population. You can imagine the problems involved — and the effect upon food interests while they are being solved.

Basically, the idea is to create a World Food Board which would have control of the international distribution of foodstuffs. It would work to stabilize the world agricultural market so that there would never be surpluses or scarcities of food in any country. This would also mean that agricultural prices would be stabilized. Without fluctuations in supply, there can be no fluctuation in price, according to the proponents of the plan.

This plan has been advanced by Sir John Boyd Orr who is director of the United Nations Food and Agricultural Organization. Its purpose is to provide all of the people of the world with a sufficient supply of food at all times. It is claimed that two-thirds of the world's population is under-nourished because these people do not have the money to pay for a sufficient amount of nutritive foods or because, through ignorance, they simply fail to eat properly.

The elimination of this condition, proponents of the World Food Board plan state, will do much to promote world peace. That, of course, is a most worthy goal. All of us are in favor of world peace and none of us wish to see human beings without enough food to eat when there is food available with which they can be fed.

But, we are talking about supply and price considerations in the food industry. How are these affected in this case?

First of all, we must remember that the success of such an operation would depend to a large degree on United States participation in it. We are one of five so-called food producing nations who would have to supply these under-fed citizens of many countries with the foodstuffs they require for good health and good living.

We have done an amazing job in recent years in meeting record demands for food. During the war, we increased production to the extent that our fighting forces were the best fed in the world. At the same time, war workers and others on the home front were able to secure ample supplies of quality food products. And, on top of all that, we shipped life-saving, and battle-saving, supplies of food to our allies.

Then the war ended and we found that world food conditions were in a mess. Millions of human beings in Europe and in Asia faced mass starvation unless they got food and got it quickly. The United States was asked to furnish 60% of the total supply needed — and we did it. Ship after ship sailed from American ports laden with wheat, with flour, and with other essential foods. There was no mass starvation, thanks to the good old U.S.A. We drained our food pipe lines. We got the food to the countries that needed it, and in time.

These records were made under America's free enterprise system. Our food producers would not have been able to produce the way they did under any other system. And I believe that America cannot help solve world food problems while employing any but the system we now have. I do not believe that Sir John's plan to promote world peace through better eating will succeed if it involved the abolishment of the profit system in America.

I am sorry to say that it has been recommended to the United Nations Food and Agricultural Organization that the World Food Board be operated so that the American system of producing food for profit is replaced by the production of food for use only. Our present system, our business men, our financiers, and our marketing agencies are condemned. Abolish them, it is said, and there will be no more hunger in the world.

This is erroneous, gentlemen. You know it as well as I do. Americans do not produce unless there is an incentive to produce. If we were forced to stop producing for profit, we would simply stop producing. We would stop growing, and that is fatal.

Actually, the adoption of this plan would decrease world food supplies instead of increasing them. If the farmer was deprived of the right to receive a reward for his labors in accordance with his ability and effort expended; if he could no longer pit his ingenuity and brain power against his neighbor farmer, he'd quit! Any other American business man would feel the same way.

Developments such as this one continue the period of uncertainty in the grocery manufacturing industry and deter us from reaching our goal of full production and full employment, which means the supply of the world's best-quality foods at reasonable prices.

We do have plans for the day after tomorrow. We made them yesterday. We expected to have them in operation today. Plans for new buildings and new products are ready for execution when we finally return to a free market. New machinery is on order to replace equipment worn out in the breaking of food production records during the war. Frozen food manufacturers are raring to go. They have hundreds of new, easy-to-prepare products ready for Mrs. Housewife. Pre-packaged meats and fruits and vegetables will make their appearance when equipment and supplies are available.

There will be a host of new packaged foods on the market, foods that please the palate and at the same time furnish their users with necessary vitamins and minerals. The employment of new and more modern production techniques will bring all of these foods to the American people at prices within the reach of all.

But not until we are free to operate under a sensible national economy which recognizes supply and price considerations. We are stalled until that day arrives. And I believe that American business must undertake the job of re-selling itself to the American people if that day is to arrive within a reasonable length of time.

We must prove to the general public that our industries are built on public service. That we have been able to build our businesses over the course of many years because we operate in the public interest — because we strove to bring our goods to the consumers of America at prices a little bit lower than those charged by our competitors. And, because we strove to make our products better than those marketed by the Smith Company, the Jones Company, and by the Brown Company.

The public must realize that this industry does not want high prices but that it wants free prices and fair prices. The records show that the food industry is one of the most highly competitive in the world and that it has brought the public constantly increasing quality and value through the years at lower and lower prices.

"Is It War or Peace?"

The New School for Social Research, 66 West Twelfth Street, announces a dinner-forum under the auspices of the Associate Members, on "War or Peace? The Future of the United Nations: A Realistic Appraisal", on Thursday, Sept. 26 at 7:30 p.m.

Speakers include, A. A. Berle, Jr., former Assistant Secretary of State; Charles Hodges, Professor of International Politics, New York University; James B. Reston, Diplomatic Correspondent of the New York "Times." A. Wilfred May, Executive Editor and columnist of the "Commercial and Financial Chronicle," will be chairman.

Officials of Fund And World Bank

(Twenty-first of a Series)

LUIS MACHADO y ORTEGA

Latin American Executive Director of the Bank

One of the two Latin Americans elected executive directors of the World Bank at the governors' meeting at Savannah in March, Sr. Machado, a Cuban lawyer, represents on the Bank nine Latin American countries, to wit: Mexico, Cuba, Peru, Uruguay, Ecuador, Dominican Republic, El Salvador, Honduras and Nicaragua. The combined 3,160 votes of these countries comprise a bloc of 4.23% of the Bank's total.

Dr. Luis Machado

Sr. Machado, a native of Guanabacoa, Cuba, at 46 has had a varied public career. He studied at Chandler College, Habana. Even before obtaining his law degree from the University of Habana in 1922, he served as a member of the delegation to the Versailles Peace Conference of 1919. Primarily a lawyer—a member of the Habana law firm of Nunez, Mesa y Machado and author of several books dealing with legal and economic matters—Machado has been very active in public affairs. He has represented the National Association of Industrialists on the advisory committee of the Export and Import Control Agency under the Cuban Ministry of Commerce. He has also served as attorney for the National Association of Manufacturers and as a member of the National Tourist Commission in Cuba. In 1944 he attended the BW Conference as a technical advisor of the Cuban delegation. The same year he was a member of the Cuban delegation to the International Civil Aviation Conference at Chicago and in 1945 on the delegation to the Mexico City conference on problems of war and peace.

Sr. Machado went to Rio de Janeiro in 1945 as a member of the delegation to the Inter-American Radio Conference and in 1946 to Washington for the American Regional Radio Conference. He was President of the International Air Transport Conference in Habana in 1945.

At one time or another Sr. Machado has taken a leading part in a long list of industrial and social organizations, among them the Christian Youths' Association, the Rotary Club, the Circle of Friends of French Culture, the National Tourist Corp., the New York World's Fair, the Committee for Inter-American Commercial Arbitration, the Inter - American Council for Intellectual Cooperation, the Miramar Yacht Club, etc.

Since 1944 Sr. Machado has been an official of Expreso Inter-Americano.

Frank Andrews Dead

Frank L. Andrews, president of Frank L. Andrews & Son, an associated investment firm, of Fall River, Mass., died at the age of 83. Mr. Andrews began his career with the First National Bank of Fall River, later becoming a partner in Andrews and Horton, cotton investment brokers. In 1920 he started in investment securities.

How Soon Must We Go Back to Work?

(Continued from page 1534)

levels of production and shipments.

According to results so far this year, the inventory increase for the entire year will probably run close to $7½ billion. You will remember that during the first week of the current stock market break there was a great deal of interest in July inventories. Stocks in July generally were not excessive. They are not excessive now. But what has impressed both security and commodity buyers is the prospect that inventories will be at an amply high level by the end of the year, and that they will become excessive quite rapidly in early 1947. In fact, if production and prices were maintained throughout 1947 at the levels they will reach by the end of this year, further additions to inventories would probably equal or exceed $10 billion, which would be much too much.

It seems to me to be simple elementary logic that production or prices, or both, will have to decline some time in 1947. I estimate these declines at between 20 and 30%. That would be an important business readjustment, but not as drastic as in 1921 and nothing like the one that began in 1929.

The Coming Decline Will Be Less Drastic Than in 1920-21

There are two principal reasons for this belief.

The first is that a decline in agricultural prices, similar to that of 1920-21 when cotton dropped from 40c a pound, within a few months, to 8c a pound, is impossible under the present Government setup. While farm prices and income are near their peak, the farm economy under present Government supports is not exposed to the same drastic retrenchment as occurred in 1921.

The second reason involves the accumulated demand for durable goods of all sorts—refrigerators and automobiles for individual consumption, and improved machinery and other labor saving devices for manufacturers. The durable goods industries are now much more important than they were after the last war; real demands have accumulated during the war; income is high; large savings exist; consumer instalment outstandings are at a relatively low level; high wage rates increase the need for labor saving devices; and the financial position of business is favorable to capital goods expenditures.

A 3-to-5 Year High Business Activity After Next Year's Readjustments

Let me just say briefly that certain forces were generated by the war, chief of which were an increase in the money supply and an accumulation of demands. In practical terms this will, at the proper time, translate itself into high level activity in two basic industries—automobiles and building. A third basic industry—textiles and apparel—will operate at a unit volume substantially above the prewar level. Finally, capital investment will bear a relation to business activity much closer to that of the twenties than to that of the thirties—an additional stimulating prospect.

For insurance men I would say this: During the past year we have received numerous letters from potential insurance buyers asking us if we thought inflation would make their policies worthless. Our answer has been: Definitely no! We have advised them to cover on insurance in line with their income and family responsibilities, without regard to this present price cycle. Insurance is as good a buy as it ever was in view of the business outlook as outlined above. Those of you who have encountered sales resistance based on fears of unending inflation should be thankful for the decline in security prices and the prospect of an early return to more normal business conditions.

For the lawyers I would say this: Interest in labor relations will continue at a high level in the postwar period. I feel strongly that many business men have done a very poor job in handling their labor relations. Too many of them have indulged in wishful thinking and the belief that labor is on the down grade, or that unions can be eliminated. In many cases they have been put at a serious disadvantagle by ignorance of the complicated body of law found in Federal and State statutes, Labor Board rulings, and court decisions. There is a tremendous job to be done by lawyers in this field and I believe that they will accomplish better results if they can arrange to work hand in hand with the economist. The success of various labor policies may easily depend on their timing in relation to the business cycle. Furthermore, there are certain general trends which cause some objectives to be more important than others.

I might mention, as an example, the desirability of protecting management's right to introduce machinery or processes that will lead to greater productive efficiency. This is a problem requiring considerable statesmanship. It is true that workers are frequently displaced by such developments, but it is equally true that living standards and the economic position of wage earners can improve only if the manufacturer can sell at a lower cost while paying higher wages. The only answer is steady improvement in production techniques.

Another example of a coming problem in labor relations involves the guaranteed annual wage.

For the business executives: I feel it hardly necessary to point out that a very careful inventory and commitment policy will be necessary from now on.

Another important change is in the ability to make sales. Many concerns for a period of 4 to 5 years have been able to sell more than they could produce. In the longer-term postwar period that I have described here their sales should continue substantially above prewar; but business will again be competitive. Sales forces will have to be trained and agressive policies of production, quality improvement, and the introduction of new lines will have to be followed. You can't afford to put these jobs off much longer.

Caution Regarding Construction Advised

Business executives also have the problem of construction, machinery purchases, and financing. We have been urging clients for years to finish the construction they needed to take advantage of favorable postwar prospects. For the past few months, however, and at the present time, we are urging them to be cautious. A 10 to 20% reduction in building costs is likely next year, mainly from the elimination of black market prices and unavoidable construction delays. Costs, however, will still be about 30 to 50% above prewar.

On machinery purchases we see no alternatives but to place orders far ahead, even on an open price basis. Machinery prices will remain high as compared with prewar. The value of the machinery, however, should be judged less in comparison with prewar prices than in terms of present wage rates and the need to reduce labor costs in spite of them.

Security Flotations Will Be More Difficult

With regard to financing problems, I believe you must conclude that it will be more difficult to raise fixed capital by security flotations than it was in the first half of the year. I doubt whether this market begins to open up again until reserve requirements are reduced, which seems to be a good possibility for next year but not this. We also expect a further slight hardening of money rates, which may take several months more before it is completed. However, we can hardly agree with forecasts of a sharp decline in high grade bond prices in view of the high Federal debt, and the power of the Treasury and the Federal Reserve to influence interest rates.

Conclusions

During the last 4 or 5 years many of us have come to think of ourselves as geniuses. It required no great intelligence to run a business profitably. The demand for goods and services could not be satisfied. All this is now in the process of changing.

While the title of my speech is "How Soon Must We Return to Selling?" I should like in conclusion to rephrase this and say "How Soon Must We Go Back to Work?"

Easy Sledding Temporary

The point of my remarks is that only a few months of easy sledding are left and that the long term prospects, after a sharp readjustment next year, while exceedingly favorable in comparison with prewar standards, will also be intensely competitive.

Those of us who loaf until the last possible minute will not be very well prepared either to protect ourselves from next year's decline or to take advantage of the broad opportunities that lie ahead.

I am sure that if we will look ahead on a reasonable basis we will not be surprised at events as they develop. None of us can hope to be 100% right about future developments; but if we are fairly right about the general pattern, then we are neither surprised nor shocked as this pattern begins to unfold.

Weinberg, WPB Aides Awarded Merit Medal

(Continued from page 1535)

(Society of Independent Motion Picture Producers); John Lord O'Brian; Edward R. Stettinius, Jr.; Charles E. Wilson (General Electric Co.), and T. P. Wright (Civil Aeronautics Administration).

All of the foregoing business and industrial leaders were formerly members of the War Production Board, whom Mr. Weinberg recruited to direct the tremendous pob of producing goods for the war effort.

The presentation of the medal which was awarded by President Truman, was made by Secretary of War Patterson in a ceremony in the Pan American Room, Mayflower Hotel, Washington, D. C.

With Davies & Mejia

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—Davies & Mejia, Russ Building, members of the New York and San Francisco Stock Exchanges, have added Norman L. J. Lloyd to their staff.

Loveland With Buckley

(Special to The Financial Chronicle)

SAN DIEGO, CALIF.—Alfred Loveland has become associated with Buckley Brothers, 625 Broadway.

The Economic Situation

(Continued from page 1540)

ments of the past fifteen years, let me say at once and with equal emphasis, that business management, in my personal opinion, brought a certain amount of the New Deal philosophy on itself. I doubt if there is a man in this room who is not at least familiar with cases in which greed, a desire for power and disregard for the equities of the situation played their part. Unfortunately, business has practiced its excesses too. It is not too strange, therefore, that we continue to have the scores of laws whereby government regulates business.

In this situation the controller and this Institute have an unparalleled opportunity to act as a balance wheel between those who advocate a return to laissez faire and those who would regulate private enterprise to literally within an inch of its life. By nature and training, the controller is a fact finder, an analyzer and an interpreter. His is the objective approach in which all extremes of opinion are weighed in order that an equitable solution may be obtained. His defense of the American capitalistic system must be adequate and forceful — which also means that it will not always be popular in certain quarters. The controller who follows this road will do much, in my opinion, to preserve free enterprise in this country. Since it is clear that today the world is looking to the United States for proof that the American system will work, the man who helps demonstrate its soundness here is making a very real and personal contribution to world democracy for which two World Wars have been fought.

Although reconversion from war to peace has not yet been completed, due to delays with which we all are familiar, the broad course which business is likely to follow in the next few years and the problems it will create for business management — and thus for controllers — are already reasonably clear.

Expects Increasing Competition

First and of fundamental importance is the matter of competition. I believe that the next twelve months will be an era of increasingly intense competition both between companies and industries. Not only must one manufacturer's brand compete with those of others, but the products of one industry must compete for the consumer's dollar with those of many others. In my own company, for example, we must not only compete with other broadcasters but the broadcasting industry as a whole must compete with newspapers, magazines and all other media for advertising expenditures. In addition, in our case we have the further problem of developing an entirely new medium — Television — while at the same time maintaining our revenues and profits from sound broadcasting in order to pay for the large capital investments and operating losses which are inevitable to its development.

It is obvious that this era of intensive competition which is just ahead of us will necessitate a type of thinking by the controller about economic fundamentals which far transcends in importance the daily routine of accounting procedure. The 1947 budgets of all well-managed companies will be much more than a series of hopeful guesses based largely on past experience. Their preparations will require not only information about broad economic trends, but a thorough knowledge of company policies and plans, markets, products and operating costs. The importance to a company of knowing its costs was never more evident than it is today. As the executive having the final responsibility for both budgets and cost accounting, the controller is in a strategic position to advise top management through the proper use of these tools. I am sorry that time does not permit a more extensive discussion of these matters here but I would strongly urge that each control give these important subjects adequate treatment at their local meetings.

Constructive Financial Statements

Another field for constructive work by controllers in the year ahead concerns the acceptance and understanding by stockholders, employees and the public generally of published financial statements. As you all know, the Controllership Foundation, in which the Controllers Institute has a vital and continuing interest, has selected this subject for its first research project. Surely there is no activity in which the controller can be more helpful to his management than the preparation of clear and understandable financial statements. This comment, I may add, applies with equal force to statements prepared for internal use by top management and department heads. Operating executives are not accountants but controllers must have the operator's point of view and an understanding of his problems if they are to be of maximum help to departments and top management. The president of a large company once told me that any one who can add and subtract can be an accountant. While this statement leaves much to be desired in so far as adequate appreciation of the nature of accounting by management is concerned, it does clearly illustrate the necessity of stating the facts clearly and simply and in language which the layman can clearly understand.

Position of the Controller

In reading the comments of certain top executives and controllers recently on the place of the controller in the organization, I was surprised and chagrined to find the statement made that in some cases top management regards the controllership function as of more importance than the controller regards it himself. Within the obvious bounds of good taste — and of course with due regard to the facts — it has been my observation that the standards by which a man judges himself go far in establishing the opinion in which he is held by his associates. If the controller is so foolish as to refer to himself as "just a figure man" and to emphasize his lack of participation in policy determination and his ignorance of operations, then he is not, in my opinion, a real controller at all but is, in fact, "just a figure man." It is only necessary to draw attention to the increasing number of members of the Controllers Institute who hold top executive positions — including those who have been promoted to the presidencies and general managerships of their companies — to prove that the controller's position, like the presentation of the figures with which he deals, is largely what he makes it. If every member of the Institute will keep this simple but all-important fact in mind this year — and do something about it personally—he will have made a direct and constructive contribution both to controllership as a whole and to the company which he serves.

AFL Firm Against Sovietism

(Continued from page 1545)

standing with Russia now, we may be forced into war against her later.

War against Russia is the last thing the American people want. We do not covet anything Russia possesses, nor are we interested in destroying her way of life within her own domain. But we do object most strenuously to Russia's forcing her way of life by aggressive methods on other people and other lands, even to the point of encouraging revolutionary movements in our own country. It is tragic that the "iron curtain" in Europe prevents us from bringing these truths home to the Russian people, who, I am certain, are just as anxious to prevent another war as we are.

At a time like this, the American people must stand united in support of our Government's efforts to maintain and reinforce world peace.

Actions of Communists

Yet the Communists in America are trying feverishly to divide our people and to discredit the foreign policy of our country every time it runs counter to the policy of Soviet Russia. These American Communists have found a fertile field of operations in one branch of the labor movement, not affiliated with the American Federation of Labor.

Only a week ago, an organization known as the United Electrical, Radio and Machine Workers held a convention in Milwaukee which graphically illustrated the effects of left-wing domination. The officers of this union, in their report to the convention, lavished praise on Soviet Russia and at the same time brazenly denounced Secretary of State Byrnes. If any documentary evidence were needed to prove the strange loyalties of these officers their report provided it.

By the issue of Communism at the convention was drawn even clearer by an attempt made by one of the delegates, a young man who happens to be Secretary of the CIO, to put the convention on record as opposing Communism and Fascism. The resolution was extremely mild and, if adopted, could have been used as a smokescreen to hide the real allegiances of the controlling officials of this union. But apparently the Communists are so bold now that they no longer want to stay underground. They fought the resolution and defeated it by an overwhelming vote. And the officers who refused to condemn Communism along with Fascism were reelected, according to newspaper reports, by a six-to-one margin.

I say to you that the developments at that convention publicly confirmed the facts which the American Federation of Labor knew as to the true nature and identity of the forces who are backing the dual labor movement. No one has to suspect any longer. Now we know. And armed with that knowledge, we are going to resist and defeat any further extension of their power in the American trade union movement, not only in order to safeguard the welfare of American workers but to protect our country from those who hate the American way of life and want to destroy it by revolution.

It seems inconceivable to me that American workers could ever be misled or hoodwinked by the false pretensions of the Communists and their twisted philosophy. The spark of freedom burns too brightly in the hearts of our people to be extinguished by the kind of hypocritical promises which Hitler used to issue to his people and which the Communists have adopted now as their own strategy.

The question that must be answered and which the Communists always evade is how do Russian workers fare under the Soviet regime?

Soviet Trade Unions

Fortunately we have a factual answer at hand and no longer have to rely on hearsay. The Library of Congress, at the request of Congressman Dirksen of this State, recently prepared a documented analysis of Communism in action in the Soviet Union. Surely when the Library of Congress prepares a factual report of this kind, based on what the leaders of Soviet Russia and official Soviet publications have themselves revealed, we must consider that information reliable.

This report, published as a public document of the United States, devotes an entire chapter to Labor. The functions and activities of the Soviet Trade Unions are clearly set forth. The report says, and I quote:

"Trade unions in Soviet Russia have been absorbed by its general Government economic machinery. Soviet trade-union officials as Party 'activists' are Government officials, carrying out Government policies, and Soviet trade unions are Government institutions, disciplining the workers to the Government's needs and goals and performing functions which in other countries are performed either by management or by Government."

Expanding on this a little later, the report states, and again I quote:

"The relation of the union to the employing enterprise took on the aspects of 'company unions' which used to flourish in the United States."

Just think of it! The Soviet trade unions are operating the way company unions do in this country, except that they take orders from the Communist Party leaders instead of a private corporation. And the parallel becomes even more striking when the right to strike is considered. The report says:

"Soviet unions are not organized to conduct strikes. While there does not appear to be any specific legislation prohibiting strikes, strikes never occur in State industries. One writer puts it cryptically that 'strikes according to the unwritten and unpublished Soviet law, are forbidden'."

The true purpose of the Soviet trade unions, the report makes clear, is to conduct a constant speed-up. The report says so in this language:

"The unions also took on the managerial functions of working for increased production, maintaining discipline, enforcing the decrees with reference to restricting mobility, idling and absenteeism and organizing 'Socialist competition'."

Now let's examine that last statement a little more closely. It refers to decrees restricting mobility. That means workers are forbidden to move from one job to another they prefer but must stay put where they are assigned. Do you think American workers would ever stand for that? And apparently there are also decrees restricting "idling and absenteeism." The trade unions in Russia enforce these decrees. The report does not tell us. But it does go on in a following chapter to discuss forced labor in Soviet Russia and it states with extreme fairness:

"Undoubtedly the most troublesome of all the Soviet institutions to present and discuss without passion is the institution of forced labor. Although the Government publishes no statistics regarding the camps in which prisoners are concentrated—and thus confuses and throws out of line all its other employment statistics—there can be no reasonable doubt that in the Soviet Union several million workers are employed under police discipline and receive only miserable keep for their labor."

I think that makes the picture pretty clear. It is unnecessary for me to delve any further into the foul facts on which the grandiose Soviet claims of gains for labor are based. No government which regards human beings as creatures of the State, to be used as slaves when that suits the policy of the political leaders or as cannon fodder when they become military minded, can ever be trusted to protect the welfare of the workers. Only in a free land can workers enjoy freedom.

If the Communists in this country think they can ever sell to the people of this country on the basis of what Communism has done for the Russian workers, they must consider American workers utter fools.

Let me say here and now that nothing has ever disgusted the great mass of American workers more than the brazen display of disloyalty given by some unions in the dual movement. They are refusing in ever growing numbers to remain identified with organizations controlled and dominated by Communists. They are flocking to our banner in an increasing wave. I predict that this trend will be accelerated in the coming months.

Today the American Federation of Labor stands at its peak strength in history. Our paid-up membership last month reached the all time high of more than 7,100,000. Our organizing campaigns in the South and other sections of the country are meeting with unparalleled success. We are a united organization, united in our unswerving loyalty to America and united in our determination to bring about an ever higher standard of life for the men and women we represent. In that spirit, we stand ready to face and overcome every problem that arises and meet the challenge of the future with courage and confidence and vigor.

"Price Maladjustments Due to Retention of Wartime Controls"

(Continued from page 1544)

ceeds of taxes or with the proceeds of additional sales of government securities to private individuals or businesses. It is not likely that such a program will be carried out on any significant scale.

"In the process of adjusting itself to such a sharp increase in the money supply, a private enterprise economy is subjected to very severe stresses and strains. In our economy, in peacetime, it is the outlook for profits that governs the level of employment and the size of the output of goods and services. Expansion of the number of dollars that consumers and businesses have to spend naturally improves the outlook for dollar volume of sales. It therefore stimulates the demand for labor, materials, plant and everything else that goes into production. But the effects of this surge of dollar purchasing power upon costs, prices and incomes are not uniform. Some producers find their costs rising more rapidly than their prices, and some income groups find prices rising more rapidly than their incomes."

Maladjustments Due to Continued Wartime Restrictions

Commenting on price and production maladjustments, Mr. Bryan stated that "these various maladjustments would be serious enough even if costs, prices and incomes were relatively free to move in perfect response to the shifting forces of demand and supply, but under such conditions they would before long work themselves out. Our misfortune is that the policy of the Federal government has been one of continuing into peacetime the arbitrary wartime restrictions upon movement of prices, and consequently of costs and incomes. Continuance of present price control policy much longer will completely frustrate the postwar adjustment of this country to a new stable level of production and employment, at which all values, expressed in dollars, would be in equilibrium with the greatly enlarged money supply. With elimination of price controls there must also come reform of the federal statutes that now permit the monopoly power of labor unions to be used repeatedly to enforce wage demands that in many cases are excessive in relation to labor's contribution to the value of the output.

"I believe that if price controls are removed and labor will stay on the job, so that prices and output can rise in the sectors of the economy where they have been held down, the money supply will support a level of gross national product of from $225 to $240 billions. With the present money supply this would put the turnover ratio between 2.15 and 2.30. This would be well below the average prewar ratio of about 2.65, which means that consumers and businesses will maintain relatively larger cash balances than before the war. Unfortunately, if this range of gross national product is reached within the next two years, only about half the increase will represent additional real output, and the balance will reflect an advance of from 10 to 15% in the general level of prices.

"With the civilian employment already just about at the limit set by the size of the labor force, further increases in aggregate physical output of goods and services will have to come about through increases in output per manhour. With improvement in the flow of basic materials in those industries which have been most retarded by shortages — shortages for which strikes and price controls are responsible — it should be possible to expand our aggregate physical production by at least 10% during the next year or so. The principal contribution to this increase in aggregate output will be made by the durable consumer goods industries, including automobiles, and by the building industries.

"It is worth emphasizing that the increase in factory wage rates over 1940 will be 90%, as compared with an increase of 78% in all wholesale prices, and increase of 70% in manufactured goods prices, and an increase of less than 60% in the cost of living. Factory labor will therefore have increased its real wages by close to 20%, in part because of increased output per manhour and in part through an increase in its "take" at the expense of profits and at the expense of the other income groups, which must bear the burden of correspondingly higher prices for factory output."

Postwar Stock Markets

Referring to the stock market recession, Mr. Bryan pointed out that "the recent reaction in stock prices has renewed interest in the comparison between the 1919-1920 period and the 1946-1947 period. It is pointed out that the stock market rose sharply for 12 months after Armistice Day and then began a very serious decline in November, 1919. It is also pointed out that commodity prices continued to rise until May, 1920, when they reached a peak of 140% above 1915, and then collapsed. The question is whether 1946 is another 1919, and whether 1947 will be another 1920.

"I do not think so, and my reason is simply that in 1920 the rise in commodity prices had far outrun the expansion of the money supply, while today prices, having been restricted by governmental controls, have not yet fully grown up to the money supply. I think it is probable that we can avoid the kind of collapse in commodity prices that came in 1920.

"In my mind, the cause for concern today is the fact that many key industries are unable to produce efficiently, or are unable to turn out finished goods, because of a lack of certain basic materials and parts. This lack may be attributed in part to strikes and stoppages, but the principal responsibility must be borne by those in charge of the price control machinery. There are definite limits to the ability of these industries to continue to operate at low efficiency or to accumulate inventories of partially completed products. Unless the materials situation improves before long in these industries, they may be forced to cut down their rate of operations, lay off workers and cancel orders for some of the component parts and materials on which they have been getting delivery. Such cancellations could cause additional layoffs, and the resulting dip in factory payrolls could cut consumer purchasing power, so that something on the order of a business recession followed.

"In my opinion, if such a recession should be brought on, it would not last long. Business recessions always take place because it is necessary to liquidate something. A recession of this sort would be for the purpose of liquidating price controls and dispelling the illusion that labor unions can push the rest of the country around without getting hurt themselves. I can only hope that these ends will be achieved by something short of a business recession."

Cleve., Cinn. and Detroit S. E. Discuss

CLEVELAND, OHIO—Informal matters and problems relating to regional stock exchanges were discussed by officials of the Cleveland, Detroit and Cincinnati Stock Exchanges at a recent meeting in Cleveland.

Present at the session were John O. McFarlane, executive vice-president of the Detroit bourse; C. H. Steffens of the Cincinnati mart, and Guy Prosser, president; Richard Gottron, vice-president, and William Perry, secretary, of the Cleveland exchange.

Pierce R. Garrett With Butler Huff & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Pierce R. Garrett has become associated with Butler-Huff & Co., 210 West Seventh Street. Mr. Garrett was formerly with Cruttenden & Co. in charge of the trading department in the Los Angeles office and prior there to was with Cavanaugh, Morgan & Co.

First California Adds Two

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Robert G. Beach and Lynn A. Hart are with First California Company. Mr. Hart in the past was with William A. Lower & Co.

Wallace Resigns From Cabinet at Truman's Request

(Continued from page 1547)

until after the Paris Peace Conference, President Truman, by telephone, requested the immediate resignation of Mr. Wallace. The Commerce Secretary immediately complied, adding in a note to the President, "I shall continue to fight for peace. I am sure that you approve and will join me in that great endeavor."

At 10 p.m. (EST), Mr. Wallace, in a five-minute radio broadcast, announced further that he would continue to fight for peace and that he was firmly committed to "one world," and would resist aggression, whether Russian, British or American. The text of this radio address follows:

My fellow Americans:

Winning the peace is more important than high public office. It is more important than any consideration of party politics.

The success or failure of our foreign policy will mean the difference between life and death for our children and our grandchildren. It will mean the difference between the life or death of our civilization.

It may mean the difference between the existence and the extinction of man and of the world. It is therefore of supreme importance, and we should every one of us regard it as a holy duty to join the fight for winning the peace.

I, for my part, firmly believe there is nothing more important that I can do than work in the cause of peace.

The action taken by the President this morning relieves me of my obligation of last Wednesday. I feel that our present foreign policy does not recognize the basic realities which led to two World Wars and which now threaten another war—this time an atomic war. However, I do not wish to abuse the freedom granted me by the President this morning by saying anything tonight which might interfere with the success of the Paris conference. But I do feel it proper to clear up some points about which there has been widespread misunderstanding of my Madison Square Garden speech.

I don't have to tell anyone who has followed my views on international affairs that I began talking about "one world" more than fifteen years ago. I do not believe in two worlds. I have continuously and wholeheartedly advocated the principles of living in one world. We cannot have peace except in "one world."

I wish to make clear again that I am against all types of imperialism and aggression, whether they are of Russian, British or American origin. Also I wish to emphasize that the one world concept must be held steadfastly; and that any regionalism necessary to give practical form to world economic and political realities must take into account the rights of small nations, just as the nations of the Western Hemisphere have done under Franklin Roosevelt's "good neighbor" policy.

The success of any policy rests ultimately upon the confidence and the will of the people. There can be no basis for such success unless the people know and understand the issues—unless they are given all the facts—and unless they seize the opportunity to take part in the framing of foreign policy through full and open debate.

In this debate, we must respect the rights and interests of other peoples, just as we expect them to respect ours. How we resolve this debate, as I said in my New York speech, will determine not whether we live in "one world" or "two worlds"—but whether we live at all.

I intend to carry on the fight for peace.

Mr. Truman's Statement

Prior to the foregoing address, President Truman at a press conference issued the following statement on the resignation of Mr. Wallace:

The foreign policy of this country is the most important question confronting us today. Our responsibility for obtaining a just and lasting peace extends not only to the people of this country but to the nations of the world.

The people of the United States may disagree freely and publicly on any question, including that of foreign policy, but the Government of the United States must stand as a unit in its relations with the rest of the world.

I have today asked Mr. Wallace to resign from the Cabinet. It had become clear that between his views on foreign policy and those of the Administration—the latter being shared, I am confident, by the great body of our citizens—there was a fundamental conflict.

We could not permit this conflict to jeopardize our position in relation to other countries.

I deeply regret the breaking of a long and pleasant official association, but I am sure that Mr. Wallace will be happier in the exercise of his right to present his views as a private citizen.

I am confirmed in this belief by a very friendly conversation I had with Mr. Wallace on the telephone this morning.

Our foreign policy as established by the Congress, the President and the Secretary of State remains in full force and effect without change.

No change in our foreign policy is contemplated. No member in the Executive branch of the government will make any public statement as to foreign policy which is in conflict with our established foreign policy. Any public statement on foreign policy shall be cleared with the Department of State. In case of disagreement the matter will be referred to me.

As I have frequently said, I have complete confidence in Mr. Byrnes and his delegation now representing this country at the Paris peace conference.

Mr. Byrnes consults with me often and the policies which guide him and his delegation have my full endorsement.

Reece, Chairman of Republican Nat'l Committee, "Rejoices"

Carroll Reece, Chairman of the Republican National Committee, issued the following statement on Sept. 20 in reference to Henry A. Wallace's resignation as Secretary of Commerce at President Truman's request:

Mr. Wallace is out of the Cabinet, for which patriotic Americans can be thankful, but his collaborator who approved the Madison Square Garden speech still is in the White House. The damage done to our foreign policy and our national prestige has not been mended.

As the smoke clears from this effective demonstration of Administration ineptitude, one salient fact stands out, namely, that the President has seen fit to gamble for the radical vote in New York and elsewhere with the nation's security.

What also must strike the American people is that Mr. Truman did not dispense with Mr. Wallace's services of his own volition. He first approved the speech in advance; later he hedged. Then he sought to placate rising public opinion by forming a truce with Mr. Wallace under which Mr. Wallace was to remain silent. Finally, under pressure from Mr. Byrnes, Senator Vandenberg and Senator Connally, who were bearing the burden of American interest in Paris, Mr. Truman yielded. The amazing fact that emerges from all this is that the President is not the master of his own destiny, but is swayed, first one way and then another, by the divided interests in his own party—and this on the eve of a general election which already has gone against him.

As for Mr. Wallace, he continues a dangerous factor in American public life. He is the leader of the forces in the Democrat Party which prefer Soviet-Russian totalitarianism to the American form of Republic. He is now free to pursue his leadership—a roving ambassador-without-portfolio of the Kremlin. It is now up to the voters of America to directly question all Democrat candidates for Congress. Do they stand with Mr. Wallace or do they disavow the support of the Communist element? Does the Democrat Party recognize Mr. Wallace as a spokesman? It is important that the New York voters ask these questions of the Democrat candidate for the Senate, Mr. Lehman, whom the Communists have endorsed.

As for the Republican Party, the dismissal of Mr. Wallace by public clamor is a vindication of its repeated charges that subversive actions, typified by the CIO-PAC, have exercised a dominant influence in the present Administration.

The President's approval of Mr. Wallace's appeal for the radical vote and his reluctance to call for the resignation is further support of these charges.

It is now certain that the full weight of American public opinion is alert to this danger and will overcome this radical element which receives its inspiration from Moscow.

Defines "Economic Cannibalism"

Following the foregoing statement, Mr. Reece delivered an address at French Lick, Ind., on Sept. 21 to the Indiana Republican Editorial Association, in which he amplified his accusation previously made that for the past 14 years, America has been practicing "economic cannibalism." (See "Chronicle," July 18, first page).

"For 150 years," Mr. Reece stated, "profits were recognized as a desirable and decent institution—and for 150 years America's stock of tools continued to increase and with it increased the welfare of every segment of the population.

"Then along came the European anti-tool philosophy of the thirties.

"In 1933 the Administration became obsessed with a dreadful economic fallacy—and I use the word dreadful in its true sense. They were sold the notion that America's economic troubles came from having to many tools. They called it by such names as mature economy, overproduction, and oversavings. This, they said, had caused a great concentration of wealth.

"Having arrived at the wrong diagnosis they proceeded with the wrong cure.

"To do so they were forced to rely upon the radical intellectuals for its administration. They decided that payment for the use of tools was an evil institution, ignoring the fact that under state ownership the same cost exists.

"They made it as difficult as possible for individuals and corporations to add to their tools or even replace them as they wore out. Business was forced to pay out earnings in the form of dividends, wages and salaries. Corporations were prevented from building up reserves to meet technological changes. All incomes of any size were taxed at hitherto undreamed-of rates.

"These policies made impossible, not merely the normal increase of tools to match an increase in population, but it also made impossible the normal replacement and repair. The nation was consuming its own strength and devouring its own substance.

"The actual extent of this economic cannibalism was not known until last month at which time the Bureau of Economic Research of Notre Dame University completed its study of assets used for production. I am sure this will shock you as it did me. Between 1930 and 1940 America's stock of tools decreased by 20%. In dollars that it about 35 billion—a 35 billion dollar decrease. The damage done since 1940 cannot yet be measured but all we need to do is look about us and see the enormous wear and tear to which our machinery has been subjected for the past five years.

"This is the first decade in the history of our nation that we did not make progress. The program resulted in no lasting benefits. It did not stimulate business. It did not solve unemployment; we had as many unemployed in 1941 as we did in 1933.

"It necessitated extravagant fiscal policies to give the people the impression that the plan was working. The people were asked to accept more paper dollars in the pay envelopes and fewer groceries in the basket. Just about the time that the scheme was breaking down along came the war and all normal economics had to be discarded. But with the war over, there is little or no sign of reform.

"The Administration plans on resuming its practice of 'economic cannibalism' that in eight years destroyed 20% of our tools and, in addition, continuing many harmful war-time controls."

Churchill Pleads for United Europe

(Continued from page 1545)

and bewildered human beings gaze on the ruins of their cities and scan the dark horizon for the approach of some new peril, tyranny or terror.

Among the victors there is a babel of voices, among the vanquished a sullen silence of despair.

That is all that Europeans, grouped in so many ancient states and nations—that is all that the Germanic races have got by tearing each other to pieces and spreading havoc far and wide. Indeed, but for the fact that the great republic across the Atlantic Ocean has at length realized that the ruin or enslavement of Europe has involved their own fate as well, and has stretched out hands of succor and guidance—but for that, the Dark Ages would have returned in all their cruelty and squalor.

Remedy for Tragedy

They may still return. There is a remedy which, if it were generally and spontaneously adopted by the great majority of people in the many lands, would, as if by a miracle, transform the whole scene and would in a few years make all Europe, or the greater part of it, as free and as happy as Switzerland is today.

What is this sovereign remedy? It is to recreate the European family, or as much of it as we can, and to provide it with a structure under which it can dwell in peace, in safety and in freedom. We must build a kind of United States of Europe. In this way only will hundreds of millions of toilers be able to regain the simple joys and hopes which make life worth living.

The process is simple. All that is needed is the resolve of hundreds of millions of men and women to do right instead of wrong, and to gain as their reward blessing instead of cursing. Much work has been done upon this task by the exertions of the planned European Union, which owes so much to Count Coudenhove-Calergi and which commanded the services of the famous French patron and statesman, Aristide Briand.

There is also that immense body of doctrine and procedure which was brought into being amid high hopes after the first World War. I mean the League of Nations. The League of Nations did not fail because of its principles or conceptions. It failed because these principles were deserted by those states who had brought it into being. It failed because the Governments of those days feared to face the facts and act while time remained.

This disaster must not be repeated. There is, therefore, much knowledge and material with which to build and also bitter, dear-bought experience to spur the builders.

I was very glad to read in the newspapers two days ago that my friend, President Truman, had expressed his interest and sympathy with this great design. There is no reason why a regional organization of Europe should in any way conflict with the world organization of the United Nations.

Advocates Broad Natural Groupings

On the contrary, I believe that the larger synthesis will only survive if it is founded upon broad natural groupings in the Western Hemisphere. We British have our own commonwealth of nations. These do not weaken—on the contrary they strengthen—the world organization. They are, in fact, its main support. And why should there not be a European grouping which can give a sense of national patriotism and common citizenship to the distracted peoples of this turbulent and mighty Continent, and why should it not take its proper, rightful place with other great groupings and help to shape the destinies of man?

In order that this may be accomplished, there must be an act of faith in which millions of families speaking many languages must consciously take part. We all know that the two world wars through which we have passed arose out of a vain passion of a newly united Germany to play a dominating part in the world. In this last struggle crimes and massacres have been committed which have no parallel since the invasion of the Mongols in the fourteenth century and have no equal at any time in human history.

The guilty must be punished. Germany must be deprived of the power to rearm and make another aggressive war. But when all this has been done, as it will be done, as it is being done, then there must be an end to retribution.

Wants "Blessed Act of Oblivion"

There must be what Mr. Gladstone called a blessed act of oblivion. We must all turn our backs upon the horrors of the past. We must look to the future. We cannot afford to drag forward across the years that are to come the hatreds and revenges which have sprung from the injuries of the past.

If Europe is to be saved from infinite misery and, indeed, from

final doom, there must be this act of faith in the European family and this act of oblivion against all the crimes and follies of the past, and the free peoples of Europe must rise to the height of these resolves of the soul and of the instincts of the spirit of man.

If they can, the wrongs and injuries which have been inflicted will have been washed away on all sides by the miseries which have been endured.

Is there any need for any further conflicts or agony? Is the only lesson of history to be that mankind is unteachable? Let there be justice, mercy and freedom. The people have only to will it in order to achieve their heart's desire.

I am now going to say something which will astonish you. The first step in the re-creation of the European family must be a partnership between France and Germany.

In this way only can France recover the moral and cultural leadership of Europe.

There can be no revival of Europe without a spiritually great France and a spiritually great Germany.

The structure of the United States of Europe, if well and truly built, will be such as to make the material strength of a single state less important.

Small nations will count as much as large ones and gain their honor by their contribution to the common cause. The ancient states and principalities of Germany, newly joined together into a federal system, might take their individual place among the United States of Europe.

I shall not try to make a detailed program for hundreds of millions of people who want to be happy, free and prosperous, and wish to enjoy the four freedoms of which the great President Roosevelt spoke, and live under the principles embodied in the Atlantic Charter.

Wants Immediate Action

If this is the wish of Europeans in so many lands, then they have only to say so and means can certainly be found and machinery erected to carry that wish to full fruition. But I must give warning; time may be short. At present there may be a breathing space. The cannons have ceased firing. The fighting has stopped, but the dangers have not stopped.

If we are to form a United States of Europe, or whatever name it may take, we must begin now. In these present days we dwell strangely and precariously under the shield, and I will even say protection, of the atomic bomb. The atomic bomb is still only in the hands of a State and nation which we know will never use it except in the cause of right and freedom, but it may very well be that in a few years this awful agency of destruction will be widespread and the catastrophe following from its use by several warring nations will not only bring to an end all that we call civilization but may possibly disintegrate the globe itself.

I must now sum up the propositions which are before us. Our constant aim must be to build and fortify the strength of the United Nations organization. Under and within that world concept, we must recreate the European family in a regional structure, called, it may be, the United States of Europe, and the first practical step would be to form a Council of Europe.

If at first all states of Europe are not willing or able to join the union, we must nevertheless proceed to assemble and combine those who will and can. The salvation of the people, of the common people of every race and land, from war and servitude must be established on solid foundations, and must be guarded by the readiness of all men and women to die rather than to submit to tyranny.

In all this urgent work, France and Germany must take the lead together. Great Britain, the British Commonwealth of Nations, mighty America and, I trust, Soviet Russia—and then indeed all would be well — must be the friends and sponsors of the new Europe. Let Europe arise!

Parade of Unbelievable Events

(Continued from page 1536)

of unbelievable events still goes on.

The Labor Situation

Take, for example, the present irresponsibility being displayed by the leaders of organized labor. They again have challenged the power of government and defied the policies of the Truman Administration.

The maritime controversy points up sharply the futility of government in attempting to manage a part free and part Federally regulated economy.

In the opinion of a few members of Congress, who are in Washington, the Administration's wage policy is now a complete wreck.

But be all this as it may, the irresponsibility displayed by organized labor holds an ominous threat for both organized labor and business, in general. It foreshadows a demand by the general public for legislation to prevent a recurrence of similar situations. This, spelled out a little, means a demand for compulsory arbitration.

Whether the top labor leaders know it or not, their attitude in supporting the shipping strike is likely to bring public-backed requests for compulsory arbitration of strikes. This would ultimately mean (1) Government fixing wage rates, (2) which would lead shortly to Government determining price policy, and (3) the eventual Federal regulation of profits.

Labor has said it wants none of this, yet labor is now moving to saddle such a situation not only upon itself but also upon indusrty.

Aiding Communism

But this is not all organized labor leaders are doing. Certainly the shipping strike could not have come at a more opportune time for the Communist movement in America than if the strike had been called in Moscow.

The Paris peace conference is in a nervous pitch, and the followers of the Kremlin are seeking to portray to the world that democracies (the United States in particular) are weak, vacillating and lacking in stability. Nothing could better prove their contention about conditions in the United States—conditions brought about by the union leaders.

The buccaneering attitude of labor is sending chills down the spine of the New Deal politicians who have held office for a decade and a half by virtue of the labor vote. The fear of this labor vote in November and in 1948 virtually is paralyzing the thinking of some of the politicians in the Administration and thereby stimying much of the efforts of others in the Truman Administration to restore some order out of chaos.

But the strange doings of the leaders of organized labor are not the only need for a Shakespearean pen.

Foreign Policy

It would really take a Shakespeare to adequately describe the recent commotion with reference to American foreign policy.

Most overlook the fact that this is the second convulsion over foreign policy within the year.

Mr. Truman has had three spokesmen, exclusive of himself. They are Mr. Byrnes, Mr. Churchill and Mr. Wallace. The names are mentioned alphabetically so you can determine their arrangement in importance.

Well, until Mr. Churchill made his Fulton, Mo., speech early this year in the presence of Mr. Truman . . . the foreign policy of the United States, as defined by Mr. Byrnes, was on the same key set by George Washington in a Farewell Address.

This, as you know, was friendship for all, but alliances with none.

After the Churchill speech, the foreign policy of the United States in the eyes of the world was this: The United States and the British Empire have joined in a spiritual union.

The reason for this is that in no other nation in the world could a foreign statesman discuss spiritual, material or any other kind of union without the prior approval of the head of the nation in which he was speaking.

Then, too, the rest of the world thinks of spiritual unions as being headed up by a general staff.

Ten days after the Churchill speech, Mr. Byrnes made an effort to retrieve the United States policy from British hands. In a speech before the Society of the Friendly Sons of St. Patrick, the Secretary of State repudiated the Churchill pronouncement.

This speech by Mr. Byrnes at least set the record straight. Nobody knows whether it set Mr. Stalin straight.

Then, last Thursday, there was the rather unusual situation of an important announcement on foreign policy being made by Secretary Wallace at a purely political campaign rally.

The second unusual thing is that the policy was announced by Mr. Wallace, whose Commerce Department has been stripped by the Roosevelt - Truman Administrations of every foreign function it ever performed.

And the third unusual thing is that Mr. Truman announced at a press conference that he fully approved of all that was said.

But the unusuals do not stop here.

Mr. Wallace proceeded to divide up the world into three parts. China was left to China. The rest of the world was then divided between the United States and Russia.

This would indicate that Mr. Wallace simply swallowed up the British Empire.

His speech would seem to reestablish the Churchill policy of an alliance between the United States and Great Britain.

Also, Mr. Wallace made an important omission. He said Mr. Truman had approved his partition of the world. He failed to say whether he had cleared his speech with Mr. Stalin.

Then, there's another baffling aspect. Mr. Wallace said the United Nations must administer the oil supply of the Near East to all nations alike. Then a little later he said the world atmosphere was not ripe for a World Federation and that the United States, the British and the Russians must strive to create a world atmosphere which would enable the United Nations to function.

Here again he gave recognition to a British Empire in a world divided up between the Russians and Americans with the Chinese sitting on the sidelines tagged as an "exemption."

Then there is one other utterance by Mr. Wallace worthy of note: He said the "Russians should stop conniving against us in certain areas of the world just as we should stop scheming against them in other parts of the world."

As far as Washington could recall, this was the first admission in history since Cato ended his speeches in the Roman Senate with the phrase . . . Carthage must be destroyed . . . that an official of a nation has admitted that his country was scheming against another friendly power.

The question also arises as to who is doing the scheming. As far as is known, Mr. Byrnes and Senators Connally and Vandenburg are the only ones abroad officially empowered to act in foreign policy for the United States.

The Wallace foreign program seemed to hold up pretty well from about 10 p.m. on Thursday, Sept. 12, until about 3:30 p.m. on Friday, Sept. 13.

At 3:30 p.m. on Friday, Sept. 13, William L. Clayton, who is running the State Department in the absence of Mr. Byrnes, had some views to offer, and he suggested that certain portions of U. S. foreign policy as enunciated by Secretary Byrnes be respected.

He told a news conference that pronouncements by Mr. Byrnes still were American policy.

Then on Saturday, as you know, Mr. Truman explained that Mr. Byrnes again was in charge of foreign policy; that he simply had given Mr. Wallace the right to present the Wallace viewpoint on the foreign situation.

So there . . . you're now all straightened out on the nation's foreign policy . . . and Mr. Wallace is leaving for Chile as Mr. Truman's special envoy to the inaugural ceremonies for the new Chilean President.

Truman's Domestic Policy

And now let's take a look at Mr. Truman's domestic policy.

Persons who have access to the White House say the policy, unless carefully examined, would appear conflicting, confusing and unpredictable.

This seemingly, in some cases actual, inconsistency results from Mr. Truman's efforts to carry out the CIO-endorsed legislative program inherited from Mr. Roosevelt and, at the same time, obtain conservative-minded men to administer the affairs of government. Recent appointments by the President have set set union leaders in an uproar.

The President is represented as feeling a moral obligation to support the Roosevelt legislative policies.

But, at the same time, Mr. Truman also is represented as believing union leaders have been using the prestige of the White House too much for their own advantage.

Thus, those who think they know the President's mind look for him to use one hand in motivating the CIO-endorsed Roosevelt legislative program and the other hand to pick the best men obtainable . . . regardless of the CIO and New Dealer objections . . . to administer the executive departments.

The Next Congress

And now for a look at the next Congress.

Unfortunately, no clear-cut answer is available.

Frequently the early Maine elections offer a good bellwether. But such is not the case this year.

Even though Republican candidates won easily, the vote was the lightest since 1930. This, in itself, adds an element which should add caution to any conclusions.

Past experience would indicate that a Republican victory in Maine by 70% of the vote is a forecast for a Republican landslide in the nation.

Also, past experiences indicate that a Republican margin of 65% indicates the Republicans will not gain materially—if at all—in the other states.

Here are two instances. In 1928 when Mr. Hoover swept the nation, Maine gave the Republican Senatorial nominee slightly better than 70%.

In 1930 when the Democrats all but captured the House, the Maine Republican Senatorial candidate polled 61% of the vote.

In 1936 when Mr. Roosevelt carried every state with the exception of Maine and Vermont, the Maine Republican Senatorial nominee won with only 51%. The candidate was the present Senator White.

Six years later in 1942 when Senator White was up for reelection he received 67% of the vote and the Republicans came within nine seats of capturing the House.

This year Senator Brewster, the Republican Senatorial nominee, was re-elected by 64% of the vote.

So on the percentage basis in Maine you have a percentage so close to the betwixt and between of the 65% borderline figure as to indicate that the November elections are decidedly in doubt.

Members of the staffs of both the Democratic and Republican National Committees, however, seem in agreement on these conclusions:

First — The Republicans will gain strength in both houses, but . . .

Second—Whether the gains will be sufficient to give the Republicans control of the House is uncertain . . . and . . .

Third — Republican control of the Senate would be surprising.

So, being unable to decide that question as of the present, Washington political thinking turns to conclusions as to what to expect of Congress next winter.

First—It is certain that President Truman will resubmit all of the CIO-endorsed legislation program which Congress rejected at its last session. In addition, the CIO and the New Dealers will have sponsored numerous bills designed to strengthen the Production Act of 1946, which is better known as the old Full Employment bill.

Second—And this, also, is a certain point—Neither the President nor the CIO will control the next Congress. Even if the Republicans fail to carry the House . . . a conservative Republican-Southern Democratic coalition will control.

No Tax Reductions

Third—A Republican-controlled House would find it difficult in the next two years to carry out anything like the economy program which all conservative elements desire. This results from fiscal commitments already made and unfortunately irrevocable . . . and . . .

Fourth—Republican control of the House would initiate a move to equalize the status of management in dealing with labor . . . the elimination of Communists and their fellow travelers from the Federal Government . . . insure the demise of OPA . . . and generally seek to take government out of business.

But in conclusion, there is this thought to ponder. Both Senator George, conservative Democrat of Georgia, and Chairman of the Senate Finance Committee, and Secretary Wallace are in agreement on one thing:

It is that further tax reductions, in other words domestic tax policy, are now tied up with foreign policy . . . and that there is little likelihood of substantial tax reduction until there is a curtailment of foreign fiscal commitments.

Three Join Dean Witter Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Earl C. Elliott, William H. Hopkins, and Phillip M. Lighty have become affiliated with Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges and other leading national exchanges.

Observations

(Continued from page 1533)

last-mentioned three having been included for procedural convenience), is as follows:

Great Britain	Belgium	Canada	Cuba
France	Luxemburg	India	Lebanon
USSR	Netherlands	Australia	Chile
China	Czechoslovakia	New Zealand	Norway
U. S.	South Africa	Brazil	

In advance of next year's Negotiating Committee meeting, our State Department (as a policy group), together with the Department of Agriculture, the Commerce Department and the Tariff Commission, will have a very onerous job in formulating our proposals for tariff schedules. Jointly with the Administration's Committee for Reciprocity and Information, they will hold hearings for all industry between now and when the Negotiating Group convenes.

* * *

Too Many Conferences?

The above-detailed schedule apparently harbors one potential danger—that too many conferences, with indefinite results if not serious controversy, will limit the efficacy of the contemplated International Trade Organization to that of just another debating society.

As an offset to the possible overproduction of conversation, on the other hand, State Department officials hold that the current meetings afford several advantages over the many "pious" conferences held between World Wars 1 and 2. Now, it is felt there is a definite and direct tie between *action* and principles—helped by the signing-and-adoption procedure—in lieu of the previous sanctimonious, but relatively academic, resolution technique. Currently, this constitutes concrete evidence by the biggest Powers that they mean business and are putting principles into practical effect—furnishing examples to smaller countries and encouraging them to join in.

* * *

Purposes of Proposed Charter

According to this Charter proposed by our State Department, the International Trade Organization shall have four major aims: (1) to promote the maintenance of employment; (2) to bring about the general relaxation and regulation of barriers to world trade, whether such barriers are imposed by governments or private organizations; (3) to provide an orderly procedure under agreed rules for the negotiation of inter-governmental commodity arrangements; and (4) to create permanent international machinery for consultation and collaboration in trade and related matters.

* * *

Bilateral Agreements Would Scuttle Trade Aims

Great misgivings have been occasioned by the emergence of special bilateral trade agreements, as the recent pact between Sweden and the Soviet, whose details have been obscure. Prevalence of such narrow arrangements would surely scuttle the world leaders' contemporary intense efforts toward expanded international trade. Fundamentally, it is hoped that—as it is lack of foreign exchange which has allegedly incited these special barter arrangements—operations of the International Monetary Fund will render such bilateral deals unnecessary.

In any event, the proposed Charter provides that there shall be no exchange restrictions imposed on commodity arrangements and that all bilateral agreements will have to be submitted to the International Trade Organization which will have wide discretion either to approve or break them. All preference agreements, like the Ottawa one, are to be opened up to negotiation.

Furthermore—of great importance—it is provided that if a country makes a reduction in a preferential tariff vis-a-vis one nation, the reduction must likewise be applied proportionately to all countries. In other words, a differential cannot be widened.

* * *

Commodity Arrangements and Cartels

It is hoped that the working rules of the ITO will eliminate the existing confusion between commodity agreements and cartels. Where arrangements represent government-to-government state enterprises, the cartel provisions apply.

The prospective regulations clamp down on commodity agreements, particularly where there are a large number of independent producers.

Bulk purchases will not be wholly forbidden, although they will be rendered difficult to justify.

Furthermore, the proposed Charter recognizes that in the case of certain commodities, as primary agricultural products, unique difficulties—such as a world surplus—might legitimately warrant the adoption of intergovernmental commodity agreements to regulate production, trade or prices. Such regulatory commodity agreements are specified as justified, if they are necessary (1) to enable countries to solve difficulties which are caused by surpluses without taking unilateral action; (2) to forestall the injury to producers or to labor which is caused by surpluses when production adjustments cannot be made quickly enough; or (3) to provide a working arrangement for a transitional period during which remedial measures may be taken.

* * *

Other Varied Functions

There is a wide variety of miscellaneous functions additionally suggested for the ITO. Among these are assisting and advising members and other international organizations about industrialization and general economic development projects; and promoting international agreements concerning capital movements, technology, commercial travelers and double taxation.

* * *

The ITO's Structure

It is contemplated that the principal organs of the Organization will be: a governing-body Conference; an Executive Board; a Commission on Commercial Policy; a Commission on Business Practices; a Commodity Commission; and a Secretariat.

Like the entire Economic and Social Council, the International Trade Organization envisages a very broad scope of lofty aims whose achievement is meticulously charted under a widely-ramified organization and scientifically-devised agenda. Whether these aims can be translated into *performance*; or whether, despite the elaborate "paraphernalia," the factor of sovereignty and the host of other "tough" practical obstacles to world cooperation—will prevail, is another question.

Government and the Banking System

(Continued from page 1537)

Treasury and the Comptroller of the Currency whose efficient and foresighted administration of the National Banking System has made that group of banks strong and powerful and helpful in our economy. Then there is the Federal Deposit Insurance Corporation to which enough credit will probably never be given for the fearless and constructive way in which it has administered and caused to succeed a system of deposit guarantees which many of us not so far-sighted had thought to be fantastic and impossible of sound administration. I figuratively doff my hat to this organization and wish for its continued energetic life to carry on the splendid work already accomplished.

And then there are the 48 wheels consisting of the State banking systems — both member and non-member banks — and it is to these that I bow tonight in compliment of their achievement and present prestige and their future potentialities.

The future of these all-important State banking systems largely rests with you, Mr. State Supervisor. And whether they live or die is largely dependent upon the manner of your leadership and administration of these systems. If under your administration they continue the dynamic constructive force in their respective communities, if they perform their duties as trustees for their depositors as the sources of sound loans for legitimate enterprise and expansion, if they take to their hearts the interests of their people and carry out their mission as guides of financial and social development in their communities, if they do these things, their future is secure.

But these things they cannot do without a constructive, sympathetic and understanding leadership on the part of their supervising examiners, both in the State and in the Federal Reserve System.

Danger of Federal Absorption of Banking System

During recent years, in the plague of government securities, government guarantees of all sorts and government participation in loans, the science of rates and risks has been all but lost and many banks and many examiners now hesitate to take a business risk in the making of a loan; but rather prefer to take the easiest way and when in doubt buy government paper or government guaranteed paper. I think this is a bad trend and it is one which will surely lead to the total absorption of our banking system by the Federal government.

The trend toward government participation (as distinguished from government regulations) should be stopped and the local bankers should again take their positions as the financiers for their communities, and get as far away as is practicable from eternal government guarantee and participation. Banks cannot do this without the cooperative help and understanding of the examiners and it is to be hoped that all of us in a supervisory capacity will do what we can to help the banks make sound loans outside of the government field.

Gentlemen, I am particularly grateful for this opportunity to have met with you and listened to you talk at this early stage of my experience as a member of the Board of Governors of the Federal Reserve System. At the moment I am rounding out my first six months in this position. Being a new man on a very old job, I realized that I had a great deal to learn if I were to serve you constructively, and so I have given all this first six months to study, listening and learning. I have traveled many thousands of miles, talked personally to hundreds of bankers and listened to dozens upon dozens of talks in meetings and in private conversation by individual business men and bankers. The more I have listened, the more I have realized how little I know and I hope very much to continue the remaining years of my administration of the position in studying and learning as well as in execution.

Artificial Atmosphere of Washington

In my mind there is just one source of accurate knowledge and information and that is the business man, the farmer and the banker, themselves in their own communities. The atmosphere of Washington is so artificial that it is really hard to get direct accurate information there. Even when men come to Washington from the various states for the purpose of expressing their opinions they apparently become somewhat subdued and awed by the atmosphere of the place and I have personally found that I can get more candid impressions on the citizens' home ground than if they come to Washington. Therefore, I have made for myself a schedule which calls for travel about ⅓ of my time, and in following this schedule I hope to visit each one of you from time to time in your respective state capitols and talk with you on the problems as seen through your local eyes of farming, industry and banking.

Because I am a new public servant, I feel that you may be interested because of the position which I occupy in knowing the trend of my thoughts along certain lines and I am going to give you an outline of some of my views. I am doing this because I want you to tell me personally or by letter or by telephone if you disagree with me, and if I get no signs of disagreement then I am bound to conclude that my thoughts are not far out of line with your own. The reason I am doing this is that I believe the soundest administration of this job which I can accomplish will be to reflect as far as I can a consensus of the best contemporary thought. I have very definite ideas about most things but I hope they are not arbitrary and I hope I am not too hard-headed or too stubborn to give weight to contrary opinions no matter from what source they may come; and I shall certainly give weight to any opinion expressed to me from any reliable source.

Public Servants Should Not Participate in Business

You notice that I have used the words just now "public servant." I chose those words deliberately as having a considerable difference in meaning from the words "government official" and "public official." I am afraid that some of us in Washington may be inclined to forget that we are public servants and remember too well that we are government officials and as such we are apt to forget the purpose of our presence in Washington, and what is worse, we are liable to inject ourselves into the business life of our country to a degree far beyond that which is necessary or that was intended by the Congress. There has already been too much of that in my opinion and after six years of absence, I am surprised at the complacency with which American labor, business people, farmers and industrialists, and all other classes, have accepted regimentation, government interference and government participation. I am surprised at the complacency with which bankers have permitted their prerogatives to be more and more absorbed by the government.

Some of this regimentation and control and government competition was undoubtedly necessary during the war. Many controls are undoubtedly now necessary and will continue to be so. But only a few instances of government participation or competition were actually necessary during the war and I know of but few instances off hand where they are necessary or desirable.

You probably know, I am sure, that once a board or bureau is created in Washington it is extremely difficult to ever eliminate it and there is always a danger that it may become more concerned with self-perpetuation than in being of constructive help. There is also a danger that some bureaus and boards may by-pass the Congress to issue regulations and make orders and take action without regard to Congressional expression or Congressional intention.

Congress Supreme

I consider the Congress is supreme, and I am in hearty accord with the efforts of this administration to turn the government of the United States back to its people through their duly elected representatives in Congress. I resent and I will always fight any effort that may be made by our Board or any other board to take action on any matter where such action is not definitely authorized by the Congress. I realize that the Congress cannot pass a bill of particulars in each instance, and that some things have to be left to discretion; but I think these discretionary powers should be few and far between and exercised with great care and deliberation.

Because of my fear that some of the regulations issued as war measures may have outlived their usefulness, I ask that we review such regulations. Certainly no harm can come from a reconsideration of any action. If, in the light of present day circumstances, our regulations should be continued and in their present status and if they are soundly based on Congressional authority, then I shall certainly support them. But if in the light of present day circumstances they are antiquated, I shall certainly hope that they be either brought up to date or dropped. And if there is no clearly indicated Congressional authority for such regulations, then I hope we will ask the Congress for an expression of its desires.

Referring again to the Congress, I hope you will bear in mind that these people are human, just as we are, and that they are subjected to tremendous pressure from organized groups and that they are pushed, pulled and shoved from every angle. But if some twenty-five years' experience in and out of Washington does not deceive me, you will find that one good personal conversation with your Congressman will have more effect on him than any memorial or petition.

Advocates Personal Contact With Congressman

I advocate personal contact with our legislators. If you believe in the type of private economy which we now have and which has carried us successfully through the trying years of war, and will see us through even more trying years of reconversion, then go to your Congressman, and tell him so personally. Give him your support in his efforts to check the present necessity and status of all these government bureaus and corporations and boards created during the emergency. Ask him to eliminate those which are not necessary and return their functions to private enterprise. But above

all, give him your personal contact.

I am proud to be in the Federal Reserve System, gentlemen, and I look forward to the day when all banks which can profitably become members, will do so. But most of all, gentlemen, I am proud of our present form of government and our present policy of private enterprise. Therefore, I am a devout believer in the dual or quadruple banking system as we now know it; that is, the national banks, state member banks and state non-member banks, with the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Federal Reserve System, and the State Banking Systems. Ours is the only central banking system which is privately owned (if you can call the Federal Reserve Banks privately owned) left in the world today. All the others have gone the route of collectivism, nationalization, communism or socialism. I hope and pray for a continuation of our present system.

I admit our systems overlap, that they are inefficient to some degree, and that they are irritating in many respects. But all these acknowledged shortcomings are made worthwhile when they are considered as insurance of a continuation of our over-all system of private economy.

Just as sure as fate, if all our banks are forced into one great system, controlled by one master button, pushed by one master hand in Washington, private banking and private enterprise in this country will find itself in its dying days.

Let us keep what we have and try to pass on to our children and to our grandchildren at least some part of the splendid heritage of private enterprise which our forefathers handed down to us.

Wanted: More Collaboration With SEC!

(Continued from page 1530)

almost every city on your path. So there can't be a journey of escape.

There have been too, great flights from drought and famine. But here the market quotation follow, and frequently precede your progress. And they create the same symptoms of hunger that must be fed, and thirst that must be quenched as they do in your home cities.

More nearly, perhaps, the motives for this westward movement may be like those that inspired the great migrations over the plain and through the passes that brought the settlement of these vast and fruitful regions; the seeking of new fields to cultivate; new opportunities to turn from the natural richness of this country a better living; new contacts with new people and a wealth of vast new resources. But I doubt that many on this convention trip plan to stay on and settle here as the old timers did.

There's still another reason that might have some bearing. Driving through Montana recently we came upon a little town that had looked big enough on the map but proved to have only a few homes, several bars and a general store. The manager of the general store was a colorful product of that arduously beautiful country. He told us a simple tale that may have some bearing on why you come.

It seems the road to the nearest city, some 50 miles away, had been torn up by logging trucks and hard winters, and badly needed grading. He said that he was the only one who seemed to take much interest in getting anything done about it. So, he said:

"I went into town to look up a fellow there who has considerable influence in such matters. I went looking for him at that fine new hotel they have there. And do you know what? Those fellows over there are making so damn much money they get together and have lunch with each other every week."

Approves "Get Together" of Dealers

Well, it is probably impossible for anyone to say exactly what combination of factors inspires annual meetings like this. But it does seem to me it's proving to be a good thing for you to get together every year as you do. You are building within your segment of the securities industry a spirit that seems well on its way to solidarity. I understood you began ten or twelve years ago with only rather tenuous social ties. It seems plain enough that in the years since you have developed into a group that feels a keen sense of common interests—an awareness of problems that concern us all—and a realization of responsibility to speak its mind as a group and to help work out those problems. I hope that tendency continues. I hope that it continues constructively and that it keeps free from narrow viewpoints and shortsighted selfish motives.

Relationships With SEC

Because I believe you have reached that point I want to speak briefly about the relationship between your industry and the SEC and about the attitude that your association and you as members may choose to take over the years to come towards the Commission's activities.

I speak for an agency that came into being at about the same time as your association. We are concerned officially with most of the same problems that concern you. We are concerned, as you are, with the efficient functioning of the securities markets. We are concerned, as you are, that those markets shall serve with the utmost effectiveness as a place where interests in sound enterprises may be readily distributed when those enterprises need financing—and where such interests may be readily exchanged between those who first acquire them and others who want them later. We are concerned, as you are, that the public's confidence in those markets shall be maintained—and for that reason we are concerned—and if you are realistic you are too—that transactions in those markets shall be consistently fair to all participants, and free from fraud and manipulation.

You and the Commission view these questions from somewhat different points of view. We operate under Congressional direction to take steps to assure the fairness of transactions in securities. The main force that directs you to the same objective is plain business good sense—the principle of not killing the goose that lays the golden eggs by working it to death.

No Antagonism of Objectives

Now I don't believe there's any question that in the past it has been a widely accepted view within your industry that our viewpoints are essentially antagonistic. There are some indications that that attitude is on the wane. But you know and I know that it still persists with great force in many quarters in your business. At times those who share it are highly articulate. They berate with sweeping adjectives any action or suggestion of the Commission regardless of thought as to its merit.

I suggest to you that such an attitude is wholly unrealistic and contrary to the facts. Not only that. It impairs and impedes the Commission's opportunities to be as helpful to you in your business as it might be. It sometimes obstructs opportunities to work out with you the best and most practicable solutions to problems which everyone agrees need a solution. It sometimes obscures your appreciation that situations need correction when, in fact, they plainly do. It deprives us, on the Commission, of many of your most productive suggestions. Where we might have from you useful, constructive ideas, which would be wholly welcome, it gives us instead carping, sterile criticism that does no one any good except specialists on high blood pressure. Often, I am sure, disposition we make of questions that require our action are not as sound or practical as they might be if your industry would put its weight on a laboring oar and help work out the most practical answers rather than standing by merely making caustic comments. The comments don't bother us much. But we'd rather have thoughtful advice and suggestions.

These are times, when, all over the world, it seems, men's tempers are short. There is a tendency after the strain of intense collaboration throughout a great war to grab hastily for immediate advantage—to focus on close objectives and overlook greater future prospects if they are in any degree remote. There is a widespread disposition to profess similar objectives but to wrangle over details of method to the point where the objectives are largely nullified. I think it may not be too much to hope that the relations between the Commission and your industry as a whole in the years ahead may belie that tendency.

If you can clearly understand that one of the Commission's primary concerns is to have your industry free from trouble that will damage its future standing and impair its usefulness and its earning potentiality, I see no reason why there should be any serious trouble in working out feasible methods for accomplishing that end. Details need not be complicating if objectives are really clear.

Genuine Collaboration Needed

I think the time has long since come for genuine collaboration between your industry and the Commission in approaching the problems with which both you and the Commission have common concern. I don't mean merely pleasant talk of harmony. Nor do I mean, as has sometimes been suggested when some serious problem has existed, that the Commission should step aside and leave its correction wholly to the industry. You can do much through pressure of industry opinion and through your own machinery to prevent serious problems from arising or, when they do arise, from becoming widespread. But, when they do arise and spread, I think we should work together. The Commission has been given powers to correct various kinds of evils in your industry. I think Congress intended that those powers should be used whenever necessary. I think they can be used most effectively and most practically, and with the least feasible interference with legitimate, fair and proper operations, if we collaborate in working out, and applying jointly, suitable remedies for practices shown to be bad for the people who do business with you. Such practices can't help but be detrimental in the long run to your business and to the reputation of your industry. To the extent that you will work with us in correcting them, we welcome and invite collaboration, and freely offer the Commission's facilities to aid in dealing with your problems.

Joint action in collaboration will require a closer and a more widespread understanding than has ever existed up to this time. It will require a more general realization throughout your business that the Commission and its staff genuinely desire to be helpful to you in meeting your problems and minimizing your difficulties. I don't plan to go into details here. I merely want to leave with you the suggestion that the attitude that the SEC is the "bete noire" of the securities industry is a lot of nonsense, and to urge a better understanding of the fact that the Commission and those of you who want the securities business to be a sound business with high ethical standards have the same objectives and common responsibilities. If that understanding can be achieved, what you sometimes in the past have considered as troubles with the SEC will be greatly diminished and our activities, on the other hand, can be at the same time more effective and less burdensome to those who do their business honestly and fairly.

Unregistered Securities Control

I want to refer briefly to one question now under consideration which I think would benefit from consideration in that spirit. There are others, but I shan't go into them now. This city is too beautiful for me to detail you for any elaborate detailed discussion.

The Commission has recently submitted a report to Congress recommending amendments to the Securities Exchange Act of 1934 which would extend to investors in unregistered securities certain protections now afforded to investors in registered securities. Your association has submitted that report for your consideration. I hope that you will bring to its consideration an appreciation that it may have advantages to you. Consider whether there may not be great merit in the idea of having those who own securities assured that they can get the facts about the business in which their money is invested, in having them plainly informed of the purposes for which their proxies are sought by the management of that business, in having some assurance that those on the inside are not taking undue advantage of their inside position in trading in the company's securities. Consider whether it makes sense to have these protections available in securities registered on exchanges and lacking in securities that aren't so registered. Consider whether you don't have better and more saleable merchandise, other things being equal, if the company whose securities you sell makes the facts about its operations plainly evident to those whose money finances those operations. I have no doubt that you will have questions about the proposals made in the report. I hope you will consider them objectively and with an open mind. If you do I think you may find that they have substantial merit. If you disagree on details, let us know. We are never averse to constructive suggestions.

What Is Meant by Registration

One point more I want to mention briefly—not so much because it follows logically from what I have said before, but because I think it is particularly important to your business and to the Commission's effectiveness.

You know, as well as I do, that the Commission does not approve securities registered with it. But you know equally well that many public purchasers *think* the SEC does approve such securities. You know too that some salesmen encourage that idea, even though it is illegal to do so. It seems to me highly important that the public should understand quite clearly that we don't approve registered securities—that our function is to see to it as far as practically possible that companies offering securities through public distribution disclose the facts the buyer needs to know in order that he may decide for himself whether to buy those securities. And that it is up to the buyer to use that information to determine for himself what it is he's buying.

I think its highly important to your business that the public should have no doubts about that—and that you should make it unmistakably clear whenever you deal with retail customers.

It may be true that some buyers prefer to rely on second hand advice—that they don't want to bother with reading a prospectus. But is is important for them to know that the information is available if they want it and that they have a right to have it and to study it before they buy. It seems to me you have everything to gain by having your customers fully informed about the merits and the risks of the securities they buy from you.

These comments suggest many questions about the way in which the registration and prospectus provisions of the 1933 Act are functioning. I think there is much to be desired especially out here on the Coast in that regard. I don't plan to discuss those questions here. I understand that they will be discussed fully in a statement soon to be made that will cover the whole question in more detail than is practicable now. I do want you to know that we are aware of the need for improvement in the way these particular provisions are operating. We are giving the question intensive consideration and we hope soon that throughout the country buyers will be regularly able to get correct, essential information about the securities offered to them in ample time and in such form that they can and will consider for themselves, with whatever expert advice they wish to have, whether they want the securities that are offered.

IBA Training Group In Northern Ohio

CLEVELAND, OHIO—A training course in investment banking has been inaugurated by the Northern Ohio Group of the Investment Bankers Association in cooperation with Western Reserve University of Cleveland.

W. Yost Fulton, of Maynard H. Murch & Co., Chairman of the group's education committee, stated the course will provide comprehensive and thorough training for new employees of IBA member houses in the Cleveland area. The course is similar to that offered in New York, Chicago and other large financial centers, Fulton said.

In addition to regular classroom instruction, special lectures will be given by investment bankers of long experience in such fields as government, municipal and corporate securities, trading, syndicating, operation of stock exchanges, investment portfolios and government regulation.

Present at the meeting at which the course was announced were: Robert W. Clark, of Washington, educational director of IBA, and Dean Herbert C. Hunsaker, Marvin J. Barloon and L. Merle Hostetler, of Western Reserve.

Other members of Fulton's committee are: Claude F. Turben, of Merrill-Turben & Co.; John D. Burge, of Ball, Burge & Kraus; Morton A. Cayne, of Cayne & Co.; Paul J. Eakin, of Hornblower & Weeks, and Harold L. Emerson, of H. L. Emerson & Co.

Leslie B. Meyer With Dempsey Tegeler & Co.

ST. LOUIS, MO.—Leslie B. Meyer has joined the staff of Dempsey-Tegeler & Co., 407 North Eighth Street, members of the New York and St. Louis Stock Exchanges. Mr. Meyer in the past was with the Mississippi Valley Trust Company.

A Fiscal Policy to Fight Inflation

(Continued on page 1540)

machine-hour at a rate far beyond the normal rate of growth. Better pricing and better allocation of materials will likewise increase the efficiency of production. High productivity, which cuts unit costs and increases supplies in relation to demand, can make the major contribution to moderating inflation.

2. *Restraint by individuals, acting singly or collectively in raising prices, wages and salaries, in recognition of the common interest in avoiding a wage-cost-price spiral.*

3. *Restraint by individuals and businesses in making deferrable expenditures at the present time.*

4. *Restraint by state and local governments in making expenditures not urgently needed now.* Many states accumulated surplus funds during the war. Since V-J Day there has been a general tendency to use these funds, especially for public works, for veterans' benefits and for tax reductions. Such policies contribute a serious addition to the general inflationary pressures. Wherever possible, expenditures for public works, cash payments to veterans and tax reductions should be deferred.

5. *A monetary policy to help prevent further expansion of expendable funds in the hands of the public.*

6. *A vigorous campaign on the part of the Treasury to sell, and keep sold, Series E and F bonds of small denominations.*

7. *A vigorous policy to reduce Federal expenditures and maintain sufficient revenues to yield a large excess of receipts over expenditures in the fiscal year ending June 30, 1947.*

The Federal Government can reduce the danger of inflation not so much by a direct contribution to higher output as by fiscal and monetary action to curb spending. The present statement explores the ways in which the Federal Government may reduce inflationary pressure by cutting or deferring its own expenditures. The observations made here about

PAYMENTS TO AND RECEIPTS FROM THE PUBLIC FISCAL YEAR 1947

Excluding Major Intragovernmental and Non-Cash Transactions
Budget Review Estimates, August 1946,
Based on Existing and Proposed Legislation
(In Billions)

PAYMENTS TO THE PUBLIC:	
National defense*	$16.4
Interest on the public debt	3.8
Refunds	1.9
Veterans' pensions and benefits	5.8
International finance	4.4
Other activities† (excluding trust accounts)	5.0
Trust accounts	2.6
Total payments to the public	39.9
RECEIPTS FROM THE PUBLIC OTHER THAN BORROWING:	
Direct taxes on individuals	18.4
Direct taxes on corporations	9.8
Employment taxes††	.6
Excise taxes and customs	7.5
Miscellaneous receipts, general and special accounts	3.1
Trust accounts††	3.3
Total receipts other than borrowing	42.7
Excess of receipts, other than borrowing, over payments	2.8

*Excludes $2.1 billion of terminal leave bonds for enlisted military personnel.

†These are: aids to agriculture, including subsidies, $1.2 billion; Social Security and relief, $0.7 billion; housing, excluding defense housing, $0.2 billion; general public works program, $0.9 billion; Post Office Department (general fund), $0.2 billion; general government, $1.7 billion; pay increase (anticipated supplemental appropriations), $0.2 billion.

††Net appropriation to Federal Old-Age and Survivors' Insurance Trust Fund is excluded from employment taxes, but included as trust account receipt.

Federal finance apply with equal force to state and local governments, to businesses and to consumers. Every dollar by which any economic unit can reduce its expenditures in relation to its receipts is a net gain in the drive against inflation.

Large Budget Surplus Necessary to Curb Inflation

Today, fighting inflation through government fiscal policy means collecting as much and spending as little as possible. We cannot be content with a mere equality of revenues and outlays. In the presence of today's demands, rapid inflation and balanced receipts and expenditures can go hand-in-hand. Prompt achievement of a large excess of receipts is necessary to affect the current inflationary trend materially.

According to the latest official estimates, there will be a deficit of $1.9 billion in the Federal Budget for fiscal year 1947. Expenditures are estimated at $41.5 billion, after giving effect to the cutbacks recently directed by the President. Revenues are estimated at $39.6 billion (at present tax rates, approximately present prices and a gradually rising level of production).

The conventional Budget presentation does not accurately measure the impact of Federal receipts and disbursements upon inflationary pressures. For example, the large receipts and outlays of the Social Security Trust Accounts are not included in the Budget. On the other hand, the Budget does include as expenditures transactions and accruals not involving current cash payments and having only an indirect or delayed inflationary effect.†

The over-all economic effects of the financial operations of the Federal Government are reflected more accurately, though still crudely, by a comparison of cash payments to the public and cash receipts from the public. The President's review of the 1947 Budget estimates that cash receipts will exceed cash payments by $2.8 billion. The table above summarizes the major items of cash receipts and payments:

The projected $2.8 billion surplus of cash receipts over payments was made possible by use of Presidential authority to restrain Federal spending. The progress thus far has been commendable, but it is not enough.

†For example, $0.5 billion of interest on the government debt is represented by an increase in the redemption value of E and F bonds and is not a current cash outlay.

The proper goal of Federal fiscal policy today is the largest attainable excess of receipts over payments. Yet it is helpful to have a more specific objective in view. We recommend as a minimum goal of fiscal policy the creation of a $5 billion excess of receipts over payments, and if possible a $6 or $7 billion excess, instead of the $2.8 billion excess now contemplated. Some important items in the Budget cannot be cut—interest, tax refunds and social security. To achieve the $5 to $7 billion excess of receipts by means of expenditure reduction, will require heavy cuts in other items. Heroic measures will be needed—but the times call for heroic measures.

The reductions in Federal expenditures must not only be large; they must also take effect promptly. There is a natural tendency for government agencies to defer action in hope that perhaps the cuts may be avoided. But the urgency of our present situation gives great weight to reductions that can be made now.

We are fully aware of the problem presented by a further large reduction in Federal disbursements. We recognize that we are not in a position to pass judgment on the expenditures which have been tentatively approved. We do believe that the challenge of every dollar of controllable expenditure from the standpoint not necessarily of its elimination but of its deferrability might well bring us the necessary results. In the pages following a brief comment is offered on the categories from which reduction of expenditures must come.

Military Expenditures

National defense cash expenditures, estimated at $16.4 billion, absorb about 40 per cent of the 1947 Budget. Their great size requires that they be scrutinized most carefully.

The paramount importance of an adequate military establishment is universally recognized. No group of private citizens can prescribe how much and in what direction military expenditures can be safely reduced. However, the fact that the Army and Navy plan to spend about as much per man in the armed forces in fiscal 1947 as they did at the height of the two-front war suggests that there is some room for postponement. We recommend that the economies called for by the President be effected without delay and that the investigation to determine what further military expenditures may be appropriately deferred be expedited in every way possible.

Public Works

Estimated Federal disbursements for civil public works in fiscal 1947 total $900 million. In comparison with some items in the Budget, this is a relatively small figure. Yet public works is a singularly appropriate category to cut when an anti-inflationary program is needed. There is general agreement that considerable leeway exists in the timing of many types of public works.

The composition of the public works program reflects an appraisal of the economic picture that was current in the Fall of 1945. It was then recognized that building materials—brick, lumber, etc.—would be in very short supply, but it was thought that there would be room and need for public works of a type that did not use such materials, such as reclamation, flood control, roads and rural electrification.

But the fact is that all resources, including labor, are scarce today and every dollar of public works outlay means more competitive bidding for existing resources and more inflationary pressure. In view of conditions as they have actually developed, some steps have already been taken to screen and cut the public works program. All possibilities for further action in this field should be explored. We shall have opportunity, and perhaps need, at some later date to carry out any worthwhile projects that are postponed today.

International Finance

The $4.4 billion estimate for international finance covers disbursements in fiscal year 1947 under foreign loan agreements, including Export-Import Bank loans and the United States subscription to the International Monetary Fund. The CED Research and Policy Committee has repeatedly emphasized the importance to the United States of the restoration of world prosperity and the lowering of trade barriers. We have endorsed the principle of making loans for those purposes. The loans were made in amounts that were essential and are being spent for types of goods that are urgently needed for world reconstruction. We do suggest, however, that the government explore with foreign borrowers the possibility that both their interest and ours would be better served by some postponement of their purchases here.

Veterans' Pensions and Benefits

Cash payments for veterans' pensions and benefits in fiscal 1947 are estimated at $5.8 billion. The Acts of Congress in behalf of veterans reflect the deep gratitude of the country to veterans for their heroism and their sacrifices. Everyone wishes to see our obligations under these Acts discharged in full. At the same time we believe considerable economies can be achieved by better definition and application of standards. Well defined standards and efficient administration are in the interests of all—veterans and non-veterans alike.

Subsidies

The revised Budget estimates include $800 million for food subsidy operations in fiscal 1947. How much will actually be spent depends upon decisions regarding price ceilings on foods. We repeat the recommendation in our policy statement, *The End of Price Control—How and When?*:

"*The principle of vigorous, progressive liquidation should apply to cost-of-living subsidies.* . . . Elimination of these subsidies will require higher prices to consumers or lower returns to producers. These alternatives cannot be escaped by postponing the date for discontinuing subsidies. The cost-of-living subsidies are large in total volume; their inflationary effect is serious. We must get rid of them as rapidly as possible not only because they aggravate our fiscal and monetary problems but because the longer they persist the stronger will be the vested interests in their indefinite continuation."

Administrative Expenditures

Recommendations for economy in Federal expenditures often start with general administration. Maximum efficiency must be a constant goal, for in the general administrative expenditures is expressed the conscientiousness of our government officials. We are confident that some current savings can still be effected in this category without handicapping essential government services. However, the campaign for a comprehensive anti-inflationary policy must not be defeated by turning it into a drive merely to eliminate file clerks and cut down on telephone calls.

Other Expenditures

Most of the opportunity for reducing Federal disbursements lies in the categories discussed above, particularly in national defense and public works. The remaining $9.2 billion includes $3.8 billion for interest, $1.9 billion for tax refunds, $2.6 billion for trust account purposes (mainly social security), $0.7 billion for social security (outside trust accounts) and $0.2 billion for the Post Office Department. These items do not offer much leeway for economy, but they should be carefully administered so as to avoid expenditures which are not essential to discharge the responsibilities of the government.

Taxes

We fully understand and share the general desire to avoid tax increases.

As a basic principle of tax policy, we reaffirm our belief "that the tax structure and the budget should be drawn so as to make possible substantial reduction of the Federal debt at a high level of employment. As much debt should then be retired as is consistent with maintaining high levels of employment and production."‡ When we are through this costly aftermath of war, we shall again urge the substantial reduction in taxes required by this policy.

Meanwhile, if cash outlays of the magnitude recommended cannot be quickly eliminated or postponed, and if inflationary pressures are not brought under control by other means, tax increases represent the next effective defense available in the fiscal field. It is probably not possible to put higher taxes into effect until early 1947. We repeat our hope that the need for tax increases may be avoided by sufficient action on other fronts now. But it would be prudent for those responsible for tax policy to take steps now to prepare for the possible need to raise tax rates early in 1947.

* * *

The current inflation may be brief and mild. The subsequent reaction, if it comes, may be minor. We fervently hope so. But there is little in our history to indicate that these hopes are certain or even probable, or that there is danger that we shall do too much to meet such a crisis or do it too soon.

No one can look at the present situation without recognizing the possibility that, at some uncertain date, the problem may be deflation and unemployment, rather than inflation. The immediate reduction or postponement of Federal expenditures that we recommend will not make it more difficult to cope with a possible future business reversal. On the contrary, postponement of worthwhile but not urgent expenditure projects now will help provide a backlog of useful expenditures that can be drawn upon when counter-deflationary measures are needed.

If there are simple, pleasant and certain ways to avoid serious inflation we have not found them. Cutting and postponing expenditures is not easy. Raising taxes is not pleasant. But if we wish to live in a dynamic, free society, we must accept the responsibilities of free citizens. This is one of the great postwar tests of the ability of a free society to keep its house in order; we cannot afford failure.

‡*A Postwar Federal Tax Plan for High Employment* proposed by the Research Committee of the Committee for Economic Development, p. 24.

Marshall Barlow With Robert Schweser Co.

(Special to THE FINANCIAL CHRONICLE)

DES MOINES, IOWA—Marshall J. Barlow has become associated with Robert E. Schweser Company, 208 South 19th Street, Omaha, Neb. Mr. Barlow has been vice-president of Carleton D. Beh Co.

The Goals of NSTA

(Continued from page 1537)

legislative and administrative bodies. I am pleased that our members—the professional traders in securities of the U. S. A. and Canada—are more and more utilizing the opportunities which this Association affords of mutual contact and concerted action for their individual benefit and the advantage of the firms with which they are associated.

Your officers have visited officially all of our 26 affiliates this last year. There are 15 cities in which we now have individual members where we should have NSTA affiliates, our goal for 1947-48 being placed by the Membership Committee at 5,000 members. The officers during this fiscal year have attended various meetings of the National Association of Securities Administrators, SEC formal and informal hearings and a number of Congressional Committee hearings on subjects of interest to our industry.

Opposition to Further Centralized Federal Power

This Association should be against any further centralization of power in the hands of Federal agencies and should further the solving of investment problems by our own organizations. Our members should see to it that these organizations, however, are not dominated by a few but are run by democratic processes.

Only 300 years have transpired since boatloads of people with initiative began to come over to this country, attracted by the opportunity to work and develop the great natural resources. During this period, these Americans have built up the greatest nation this earth has ever seen. This result has been accomplished without any great contribution from Governmental authorities and certainly in the main, centralized Federal government had little to do with this success.

Our forefathers' philosophy of government, "the best government being the least government," was always the exact opposite of the European and Asiatic beliefs. In 1928 there were 300,000 Federal employees, our population being 120,000,000; in 1946, there are 3,500,000 Federal employees, our population being 140,000,000. Many of these supposed public servants do not believe in the governmental philosophy of our fathers but follow the opposite political ideology and will not be satisfied until they have sapped the political, moral and economic strength of our country. We should return to decentralization of not only political power but economic and financial power.

To Cooperate with Groups Supporting Private Business

This Association should cooperate with all groups believing in the preservation of private business and should oppose Governmental usurpation of functions which experience has proven are best performed by the individual. That our American way of life is the best way is conclusively established by the almost unanimous desire of other people to acquire citizenship here, but the individual opportunity heretofore offered in this land is being steadily limited and threatened with destruction by the growing centralization and expansion of government regulation.

Prudence in Financial Policies

This Association should be for prudent financial policies in the affairs of Federal, State and Municipal Governments. Senator George, the ablest fiscal authority in public life today, recently stated: "continued high taxes—which in the long run mean low production—are direct and basic causes of the recent market decline. Unless high taxes and Federal spending are stopped, corporations will maintain low selling levels. We must cut taxes and expenses regardless of any theory."

Opposition to Minority Controls

This Association should be against the arbitrary use of economic power wielded by small groups to the detriment of the great majority of the American people. I believe we need courageous leadership in government, in Congress, in business and in the ranks of labor to apply proper and fair restraints on arbitrary use of economic power. Courage is America's proudest heritage. Somewhere there is another Andrew Jackson who will rise to the presidency by using that one great American attribute.

David Lawrence stated in an editorial last week, "The break in stock prices is indicative of basic economic weaknesses, that durable goods industries face curtailment of earnings, endless spiral of wage increases and price rises leads inevitably to depression." "In due time the facts about industrial earnings and the true situation inside the durable goods industries will come out. In due time the effort of labor monopolies will be visible in the liquidation of small and medium sized enterprises. When the climax comes, the whole thing will in retrospect seem so obvious. But it is human nature to overlook the obvious and that is why in America we have depressions."

Economic Fumbling

The many agencies of the Federal Government having to do with fiscal and economic affairs are like a football team with a clear field ahead which on nearly every play in the months since V-J Day has fumbled the ball. The path to prosperity has been clear, but very little economic courage, foresight, or coordination has been shown in administrative circles—the advice of able leaders in Congress and in finance having been ignored.

We all have an opportunity this year to work and contribute in furthering the election of Congressmen and Senators, irrespective of party, believing in American Democracy, the Capitalistic System and our industry. Business and our industry face in this election a real opportunity to help save our Country—the fight is just as important and worthy as many of our members have recently so gallantly completed on foreign shores. If we don't make this supreme effort, we may find another example of "too little and too late." In this fight for America, every vote, every hour of work in the precincts, at the polls, and every dollar counts.

The most important current problem of this Convention is to do everything possible to bring about complete agreement, mutual understanding and cooperation between all organizations which are endeavoring to further the best interests of the investment business. I suggest as a motto for our industry next year, "Pull Together!" Let every group unite and take the many problems of this most vital industry to our elected representatives, both Federal and State, for redress.

America's Destiny Lies in An Expanding Economy

John S. Knight, Editor of the Chicago "Daily News," recently wrote the following on "America's Destiny": "I am firmly convinced that America's destiny lies in the direction of an expanding economy that will provide greater opportunity for the individual and constantly improving standards of living.

"This objective can never be attained by governmental dictum nor through any authoritarian creed sold under the misleading label of liberalism.

"The people of Germany, Italy and Russia surrendered their individual liberties to leaders who gave them bread and jobs in exchange for power.

"From the moment that we place security on a higher pedestal than individual rights and opportunities — from the time that we surrender our liberties to the state, historians will record that America's glorious era has come to an end."

NSTA a Constructive Leader

The NSTA can and should be the constructive leader in the investment business. The opportunity awaits; the time is all too short. I thank each of our members for their fine support and am humbly proud of the splendid accomplishments of our officers and Committees; without this fine team and their teamwork, nothing constructive would or could have been accomplished. This Administration goes out of office on December 31, 1946. We pledge the new officers our full support and wish them every success in the strenuous days lying ahead.

As a boy I recall that my Father in ending his sermons would quote the following:

"BE STRONG. We are not here to play, to dream, to drift. We have hard work to do and loads to lift. Shun not the struggle, face it. 'Tis God's Gift."

Trade Agreement Between U. S. and Paraguay

The signing of a reciprocal trade agreement between the United States and Paraguay was made known on Sept. 13 by the State Department at Washington, which said that it was signed at Asuncion on Sept. 12. Paraguay is the 29th nation to enter into a reciprocal trade agreement with this country, it was noted in Associated Press advices from Washington, which also stated:

"The announcement said the agreement did not take advantage of additional authority provided by Congress to cut tariff rates another 50% because the negotiations were at an advanced stage when the Congressional action came."

The agreement provides for the mutual reduction of tariffs and elimination or reduction of other trade barriers between the two countries, said special advices Sept. 13 to the New York "Journal of Commerce" from its Washington bureau; from these advices we also quote:

"The reciprocal concessions cover a substantial proportion of the mutual trade, including reductions by each country of its import duties on specified products, bindings of certain tariff rates against increase, and bindings of the duty-free status of certain commodities.

"General provisions of the agreement include mutual assurances of non-discriminatory tariff, quota, and exchange treatment."

F. H. Silence to Be Official Of Grace National Bank

Frederick H. Silence, President of the New York Coffee Exhange, will resign from that post to accept his election as a Vice-President of the Grace National Bank of New York, according to an announcement by Chester R. Dewey, President of the Bank. With a background of many years experience in the importing and exporting departments of W. R. Grace & Company, Mr. Silence will give special attention to the problems of importers and will assume his new duties on Oct. 1.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Liquidation by inflation-minded public puts market in position to rally. Long pull outlook has been discounted by break. From now on support looked for.

The market always looking for a bogey man, decided that the elimination of Henry Wallace from the cabinet was bullish, so it rallied when the news hit the broad ticker tape. But 24 hours later it apparently discovered that that wasn't enough, so it went down again. The time lapse was actually greater; the rally came Friday afternoon, the new decline, Monday afternoon.

* * *

I'm afraid it wasn't Wallace or the SEC that was responsible for any market break. I'm little tired of looking for reasons the finding of which add to nothing except excuses for something that this column foresaw when the averages were around 200.

* * *

Now to get back to the market. Tape action is full of confusions. The wild-eyed bull of a few weeks ago now has bloodshot eyes and he's no longer a bull. He's selling and swearing at everything including his broker. But while his selling is duly registered on the tape, which in turn brings out additional selling, there is some semblance of buying poking its head up in a few stocks. This doesn't mean that the bottom has been seen. Bottoms aren't made that way. But it does mean that somewhere in this area support is starting to come in. My guess is that more signs of this will be seen in the next few days. How much of a rally can come out of such a support isn't clear. Offhand I would say it points to a rally back to about 172, which I'll admit doesn't sound very promising. But for the moment that is about all I can see.

* * *

I've been asked to give long-term implications, something I prefer to shy away from. I have enough headaches as it is. But for those who think it makes interesting reading I say that the current panicky selling is completely overlooking the political possibilities due next November. Majority financial opinion has always looked upon the New Deal as inimical to business. If this fear is valid the exit of Wallace spells the end of an era which will almost certainly add many Republicans to Congress in November. The vacillations and ineptitudes of Truman, the lack of a rallying point for the so-called liberal vote, will help the Republicans. The only thing that can lick the Republicans next Fall is the Republicans. With that kind of a picture it is hard to believe that the market is headed for the cellar.

* * *

A few weeks ago I wrote here that it was time to get out of the market, though I emphasized that you wouldn't get the top eighth. I now say that the market is getting to a point where buying should be the order of the day. But just as you didn't get the top on the advance (and if you did it was an accident) so you won't get the bottom on the decline.

* * *

From here on it's your baby. Forget about all the rumors of foreign selling. In a few weeks you'll hear rumors of foreign buying.

* * *

More next Thursday.

—Walter Whyte

[*The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.*]

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Acme Electric Corp., Cuba, N. Y.

June 26 filed 132,740 shares ($1 par) common stock. **Underwriters**—Herrick, Waddell & Co., Inc., and First Colony Corp. **Offering**—To be offered publicly at $5 a share. **Proceeds**—Company will receive proceeds from the sale of 68,880 shares and four selling stockholders the proceeds from the sale of 63,860 shares. Company also will receive proceeds from the sale of 20,000 warrants for common stock to underwriters at an aggregate price of $200. Of the net proceeds ($292,940) $50,000 will be used to pay current bank loans; about $20,000 will be used for machinery and equipment, and the remainder for working capital.

Acme-Hamilton Mfg. Corp., Trenton, N. J.

Aug. 29 filed 50,000 shares 5% cumulative preferred stock ($20 par) and 82,000 shares ($1 par) common stock. **Underwriters**—G. L. Ohrstrom & Co. and S. R. Livingstone & Co. **Offering**—Company is offering the 50,000 shares of preferred, while the 82,000 shares of common are being sold for the account of certain stockholders. **Prices**—$20 a share for the preferred, and $11.50 a share for the common. **Proceeds**—Company will apply proceeds to fully discharge secured demand notes, mortgage notes and partial discharge of debenture indebtedness.

Aero Research Corp., New York

Sept. 11 (letter of notification) 170,000 shares of $1 par common. **Offering**—Price $1 a share. No underwriting. For organizing business of developing inventions in connection with aircraft.

Aerovox Corp., Bedford, Mass.

Aug. 22 filed $1,500,000 of 5% sinking fund debentures, due 1961, and 50,000 shares ($1 par) common stock. **Underwriter**—Ames, Emerich & Co., Inc., and Dempsey & Co., Chicago. **Offering**—The debentures will be offered publicly. The common shares will be issuable upon the exercise of stock purchase warrants for purchase of common stock at $2 a share above the bid price of such common on the effective date of the registration. Company will sell warrants for 25,000 common shares to the underwriters at 10 cents a warrant. The remaining warrants will be sold to officers and employees of the company. **Price**—Debentures at 100. **Proceeds**—Company will use $1,025,000 of proceeds of debs. for payment of an indebtedness to Bankers Trust Co., New York. Balance, estimated at $373,680, will be added to working capital.

Air Cargo Transport Corp., New York

June 19 filed 200,000 shares ($1 par) common stock. **Underwriters**—None. **Proceeds**—Repayment of bank and other loans, construction of building at Newark Airport, cost of moving office, etc.

Air Express Internat'l Agency, Inc., New York

July 22 filed 125,000 shares of 50-cent par common. **Underwriters**—Newburger & Hano; Gearhart & Co., Inc., and Burnham & Co., all of New York. **Offering**—The shares will be offered publicly at $6 a share. **Proceeds**—Estimated net proceeds of $656,250 will be added to general funds. Temporarily postponed.

Algonquin Publishing Co., Inc., New York

Aug. 28 (letter of notification) 10,000 shares of 5% cumulative convertible preferred and 25,000 shares of common, of which 10,000 share are reserved for conversion privilege. Only preferred being offered. No underwriters. **Offering**—Price $10 a share. Proceeds for purchasing plates, dies, authors' royalties, publishing rights, etc.

American Brake Shoe Co., New York

Aug. 16 filed 199,101 shares (no par) common. **Underwriting**—No underwriting. **Offering**—Shares are offered for subscription to common stockholders of record Sept. 13 in the ratio of one additional share for each four shares held at $35 per share. Rights expire Oct. 21. Unsubscribed shares will be sold to other persons including officers and employees. Price, $35 a share. **Proceeds**—Net proceeds, estimated at $6,915,285, will be used to defray part of the cost of its plant expansion and improvement program.

American Broadcasting Co., Inc., N. Y.

June 27 filed 950,000 shares ($1 par) common stock. **Underwriter**—Dillon, Read & Co. Inc., New York. **Offering**—A maximum of 100,000 shares may be sold by company to persons, firms, or corporations with whom the corporation had network affiliation agreements on March 31. The remainder will be offered publicly. Price by amendment. **Proceeds**—To prepay notes payable to acquire radio station WXYZ, to construct broadcast transmitter for station KGO at San Francisco and for working capital.

American Cladmetals Co., of Pittsburgh

July 8 filed 196,500 units comprising 196,500 shares of voting common stock ($1 par) and 589,500 shares of non-voting common stock ($1 par), each unit consisting of 1 share of voting common and 3 shares of non-voting common. **Underwriters**—None—the company intends to distribute its common stock directly to the public. **Offering**—Price $6 per unit. **Proceeds**—Net proceeds estimated at $1,179,000 will be used to pay a mortgage on plant, pay accounts payable, purchase equipment, for building alterations and working capital.

American Colortype Co., Clifton, N. J.

Aug. 12 filed 30,000 shares ($100 par) cumulative preferred stock. **Underwriter**—White, Weld & Co. Price by amendment. **Proceeds**—Net proceeds initially will be added to general funds, however, the company anticipates it will use the funds for its building and expansion program. Offering date indefinite.

American Frozen Food Lockers, Inc., White Plains, N. Y.

Aug. 22 (letter of notification) 5,000 shares of 6% convertible preferred stock ($10 par) and 70,000 shares ($1 par) common. No underwriters. **Offering**—Prices $10 a share for preferred and $2 a share for common. Proceeds to pay off notes and loans, and for working capital and inventories.

● **American Insurance Securities Corp., Atlanta, Ga.**

Sept. 20 (letter of notification) 1,000 shares of $100 par preferred; 4,000 shares of $10 par common. Offering price, $100 a preferred share and $10 a common share. No underwriting. The company proposes to invest $50,000 in serial notes of the Whitner Insurance Co., Inc., and $35,000 in bonds of the Oberdorfer Insurance Agency, Inc. The balance will be used for working capital.

American Locomotive Co., New York

July 18 filed 100,000 shares each of $100 par prior preferred stock and $100 par convertible second preferred stock. **Underwriting**—Union Securities Corp., New York. Price by amendment. **Proceeds**—Net proceeds, with other funds, will be used to redeem $20,000,000 of 7% cumulative preferred stock at $115 a share plus accrued dividends. Indefinitely postponed.

American Water Works Co., Inc., N. Y.

March 30 filed 2,343,105 shares of common (par $5) plus an additional number determinable only after the results of competitive bidding are known. **Underwriters**—To be filed by amendment. Probable bidders include Dillon, Read & Co. Inc., White Weld & Co., and Shields & Co. (jointly), and W. C. Langley & Co. and The First Boston Corp. (Jointly). **Offering**—Price to public by amendment. **Purpose**—The common stock, together with $15,000,000 10-year 3% collateral trust bonds (to be sold privately) are to be issued to acquire certain assets of American Water Works & Electric, liquidate two subsidiaries, Community Water Service Co. and Ohio Cities Water Corp., and provide cash working capital. Common stock is to be offered initially for cash to common stockholders of parent and to public holders of preferred stocks of Community and Ohio in exchange for their shares. Stock not subscribed or issued under exchange offers are to be sold for cash to underwriters. For details see issue of April 4.

American Zinc, Lead & Smelting Co., St. Louis

Sept. 6 filed 336,550 shares common stock (par $1). **Underwriting**—No underwriting. **Offering**—Stock will be offered for subscription to common stockholders of record on Nov. 1 in the ratio of one additional share for each two shares held. The subscription offer will expire on Nov. 21. Unsubscribed shares will be offered for subscription to officers and directors of the company. **Price**—By amendment. **Proceeds**—Working capital.

Ansley Radio Corp., Trenton, N. J.

Aug. 29 filed 70,000 shares of Class A cumulative convertible preferred stock ($5 par) and 120,000 shares of common (50c par). **Underwriter**—Amos Treat & Co. **Offering**—To the public in units of one share of preferred and one share of common. **Prices**—$6 a share for preferred and $1 a share for common. **Proceeds**—To retire bank loans of approximately $100,000, to purchase wood-working machinery and for working capital. Temporarily postponed.

● **Argyle Land Co., Inc., Silver Springs, Md.**

Sept. 23 (letter of notification) 250 shares of stock offered for subscription to stockholders at $100 a share in the ratio of 1 share for each two shares held. No underwriting. To provide funds for continued construction of a golf course.

Arkansas Western Gas Co.

June 5 filed 33,639 shares of common stock (par $5). **Underwriters**—Rauscher, Pierce & Co. Inc., and E. H. Rollins & Sons Inc. **Offering**—Stock will be offered to the public. Price by amendment. Shares are being sold by six stockholders.

Armour and Co., Chicago

July 12 filed 350,000 shares (no par) cumulative first preference stock, Series A; 300,000 shares of convertible second preference stock, Series A, and 1,355,240 shares common stock (par $5). **Underwriter**—Kuhn, Loeb & Co., New York. **Offering**—The 350,000 shares of first preference stock will be offered in exchange to holders of its 532,996 shares of $6 cumulative convertible prior preferred stock at the rate of 1.4 shares of first preference stock for each share of $6 prior preferred. Shares of first preference not issued in exchange will be sold to underwriters. The 300,000 shares of second preference stock will be offered publicly. The 1,355,240 shares of common will be offered for subscription to common stockholders of the company in the ratio of one-third of a new share for each common share held. Unsubscribed shares of common will be purchased by the underwriters. **Price**—Public offering prices by amendment. **Proceeds**—Net proceeds will be used to retire all unexchanged shares of $6 prior stock and to redeem its outstanding 7% preferred stock. Temporarily postponed.

Artloom Corp., Philadelphia

August 16 filed 151,367 shares (no par) common. **Underwriters**—No underwriting. **Offering**—Of the total, 148,633 shares will be offered for subscription to common stockholders in ratio of one share for each two shares held. The remaining 2,734 shares and any shares not subscribed for by common stockholders will be offered to employees of company. **Price**—$10 a share. **Proceeds**—The company estimates it will use $300,000 of the proceeds to purchase additional space and equipment, and $350,000 for manufacturing facilities. The balance will be added to working capital. Issue postponed indefinitely.

● **Axe-Houghton Fund, Inc., Jersey City, N. J.**

Sept. 24 filed 500,000 shares ($1 par) capital stock. **Underwriter** — Leffler Corp., Jersey City acts as selling agent. **Price** — At market. **Proceeds** — For investment. **Business** — Investment house.

Bendix Helicopter, Inc., New York

Sept. 18 (letter of notification) 20,000 shares of common stock (par 50¢). **Offering**—To be publicly offered at $1.20 per share (estimated market). **Underwriter** — Bond & Goodwin, Inc. will act as broker. Proceeds to selling stockholders.

Berbiglia, Inc., Kansas City, Mo.

Sept. 12 (letter of notification) 41,000 shares of 5% cumulative convertible $6 par preferred. Offering price, $6 a share. **Underwriter**—Estes, Snyder & Co., Topeka, Kans. To pay outstanding indebtedness and expenses and to open five additional stores in Kansas City, Mo. Offering temporarily postponed.

Black, Sivalls & Bryson, Inc., Kansas City, Mo.

July 29 filed 100,000 shares ($1 par) common stock. **Underwriters**—F. S. Yantis & Co., Inc., and H. M. Byllesby and Co. **Offering**—Shares were sold to the underwriters on July 29, 1946 at $10.70 a share. They will be offered to the public at $12.50 a share. Offering date indefinite.

NEW ISSUE CALENDAR

(Showing probable date of offering)

September 27, 1946

Upson Co. ____________________________Common

September 30, 1946

St. Louis-San Francisco Ry._____**Equip. Trust Ctfs.**

October 1, 1946

Ohio Associated Telephone Co.______________**Bonds**
Shaycraft, Inc.________________**Pref. and Common**
Wheeling & Lake Erie Ry. (Noon EST)
Equip. Trust Ctfs.

October 7, 1946

Chicago, Indianapolis & Louisville Ry.
(Noon CST) **Cond. Sales Agreements**

October 21, 1946

Plastic Molded Arts Inc._______**Pref. and Common**

October 28, 1946

Films Inc.________________**Class A and Common**

Blumenthal (Sidney) & Co. Inc., New York

Aug. 30 filed 119,706 shares (no par) common and subscription warrants relating to 30,000 shares thereof. **Underwriting** — None. **Proceeds**—For reimbursement of company's treasury for funds expended in redemption of 3,907 shares of 7% cumulative preferred on April 1, and for funds deposited in trust for redemption on Oct. 1 of remaining preferred shares. Although it was proposed to offer the stock for subscription to stockholders at $10 per share, company on Sept. 20 decided to withhold action at this time.

Boston Stores of Chicago, Inc.

Sept. 10 filed 30,000 shares ($50 par) 5% cumulative preferred and 500,000 shares ($1 par) common. **Underwriters**—Paul H. Davis & Co. and Stroud & Co., Inc. **Offering**—Preferred will have non-detachable stock purchase warrants for purchase of 30,000 shares of common stock of the total common, 375,000 shares will be offered for sale for cash. 30,000 shares are reserved for issuance upon exercise of warrants attached to preferred and 95,000 shares are reserved for issuance upon exercise of outstanding warrants. **Price**—By amendment. **Proceeds**—Net proceeds, together with other funds, will be used to pay the company's 2% subordinated note in the principal amount of $5,268,750 and accrued interest.

• Braunstein (Harry), Inc. Wilmington, Del.

Sept. 25 filed 12,500 shares ($25 par) 4½% cumulative convertible preferred stock and 50,000 shares (20¢ par) common stock. **Underwriter** — C. K. Pistell & Co., Inc., New York. **Price** — $25 a share for preferred and $11 a share for common. **Proceeds** — Of the shares registered. 7,000 preferred shares are being sold by company, the remaining 5,500 preferred shares and all of the common are being sold by company's three present stockholders. Net proceeds to the company, estimated at $147,500, will be used to prepay to the extent possible outstanding $149,300 mortgage liabilities. **Business**—Operation of retail ladies ready-to-wear and accessory store in Wilmington, Delaware and a summer branch store in Rehoboth Beach, Delaware.

Briggs & Stratton Corp., Milwaukee

Aug. 9 filed 76,000 shares (no par) capital stock. **Underwriters**—A. G. Becker & Co., Inc., Chicago. Price by amendment. **Proceeds**—Shares are being sold by stockholders. Temporarily postponed.

Brooklyn (N. Y.) Union Gas Co.

May 3 filed 70,000 shares of cumulative preferred stock ($100 par). **Underwriters**—To be filed by amendment. **Bids Rejected**—Company July 23 rejected two bids received for the stock. Blyth & Co., Inc., and F. S. Moseley & Co. and associates submitted a bid of 100.06 for a 4.30% dividend. Harriman Ripley & Co. and Mellon Securities Corp. bid 100.779 for a 4.40% dividend. Indefinitely postponed.

Brown & Bigelow, St. Paul

July 19 filed 35,000 shares of 4½% ($100 par) cumulative preferred stock and 427,558 shares ($1 par) common stock. **Underwriters**—Reynolds & Co., New York. **Offering**—19,079 preferred shares will be offered to 6% preferred stock on a share for share exchange basis. Shares not issued in exchange plus 15,921 additional will be offered to the public. Of the total common, the company is selling 67,500 shares to underwriters for public offering and 55,177 shares are to be offered in exchange for outstanding capital stock of Consolidated Printing Ink Co., Quality Park Box Co., Inc., and John Beissel Co., which will become subsidiaries. In addition, stockholders of the company are selling 322,521 shares to the underwriters for public offering. **Price**—Preferred $103.50 a share; common $26.50 a share. **Proceeds**—Net proceeds to the company will be used to redeem unexchanged shares of 6% preferred at 110% and for increasing general corporate funds. Offering temporarily postponed.

Brunner Manufacturing Co., Utica, N. Y.

Sept. 13 filed 180,185 shares ($1 par) common. **Underwriters**—George R. Cooley & Co., Inc., Albany, N. Y., and Mohawk Valley Investing Co., Inc., Utica. **Offering**—Of the total, 110,000 shares will be offered publicly and the remaining 70,185 shares will be offered in exchange for 23,395 shares of Class B common of American Gas Machine Co., of Albert Lea, Minn., on the basis of three shares for each Class B share. **Price**—$10.25 a share. **Proceeds**—Net proceeds will be used to redeem the outstanding Class A common shares of American Gas and the outstanding preferred stock of Brunner.

Buffonta Mines Ltd., Toronto, Can.

Sept. 12 filed 1,000,000 shares $1 par (Canadian currency) common. **Underwriting** — George F. Jones Co., Inc., Buffalo, N. Y. **Price**—$1 a share, American currency. The underwriting commission will amount to 20 cents a share. **Proceeds**—For development of gold mining properties.

• Burgess-Norton Mfg. Co., Geneva, Ill.

Sept. 23 filed 10,000 shares ($50 par) 5% cumulative preferred and 120,000 shares ($2.50 par) common. **Underwriter**—H. M. Byllesby and Co. (Inc.), Chicago. **Offering**—Of the total 120,000 common shares, 110,000 are issued and outstanding and being sold by stockholders. The remaining 10,000 shares are reserved for issuance upon the exercise of warrants attached to the preferred being offered. Price by amendment. **Proceeds** — The Company will use its proceeds to reimburse its treasury, for purchase of machinery and equipment at a cost of $98,386 and toward payment for a new building being constructed by the company at an estimated cost of $223,700. Any balance will be used for purchase of additional machine tool equipment. **Business**—Company manufactures piston pins, spindle bolts, shafts, ball bearings, clutch plates, stampings and other steel products.

California Oregon Power Co.

May 24 filed 312,000 shares of common stock (no par). Stock will be sold through competitive bidding. **Underwriters**—Names by amendment. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. **Offering**—Stock is being sold by Standard Gas and Electric Co., parent, of California. **Bids Rejected**—Standard Gas & Electric Co. rejected June 25 two bids for the purchase of the stock as unsatisfactory. Blyth & Co., Inc., and First Boston Corp. bid of $28.33 a share, and Harriman Ripley & Co. bid of $24.031 a share. Stock will again be put up for sale when market conditions improve.

California-Pacific Utilities Co., San Francisco

Sept. 6 filed $1,670,000 of first mortgage bonds, Series B, due 1971, and 33,610 shares ($20 par) common. **Underwriters**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co., Inc. (bonds only). **Proceeds**—Net proceeds will be used to redeem outstanding 3½% mortgage bonds of Eastern Oregon Light & Power Co., whose electric properties were recently acquired by the company; to pay off short term indebtedness and to reimburse its treasury for previous expenditures.

Camfield Mfg. Co., Grand Haven, Mich.

July 29 filed 220,000 shares ($1 par) common stock. **Underwriters**—Gearhart & Co., Inc. **Offering**—Of the shares registered, 100,000 are issued and outstanding and will be sold to the underwriters by three stockholders at $4.50 a share for their own account. The remaining 120,000 shares are being offered by the company. Price $4.50 a share. **Proceeds**—Company's share to pay renegotiation refund in amount of $180,000 to the U. S. Government, and for additional working capital. Offering date indefinite.

Canadian Admiral Corp. Ltd., Toronto

July 8 filed 150,000 shares ($1 par) common stock. **Underwriter**—Dempsey & Co. **Offering**—Stock initially will be offered to common stockholders of Admiral Corp. at $3 a share. **Proceeds**—$75,000 is earmarked for purchase of machinery and equipment, and tools, jigs, dies and fixtures; balance will be available for corporate purposes. Indefinitely delayed.

Candego Mines, Ltd., Montreal, Canada

May 31 filed 500,000 shares of common stock (par $1). **Underwriters**—Sabiston-Hughes, Ltd., Toronto. **Offering**—Shares will be offered to public at 75 cents a share. **Proceeds**—Net proceeds, estimated at $300,000, will be used for mining operations.

Carscor Porcupine Gold Mines, Ltd., of Toronto, Ontario

June 24 filed 400,000 shares of common stock. **Underwriter**—Registrant will supply name of an American underwriter by post-effective amendment. **Offering**—To the public at $1 a share in Canadian funds. **Proceeds**—For a variety of purposes in connection with exploration, sinking of shafts, diamond drilling and working capital.

Central Electric & Gas Co., Sioux Falls, S. D.

May 29 filed 35,000 shares of $2 cumulative preferred stock, series A (no par), but with a stated value of $50 a share, and 175,000 shares of common stock (par $1). **Underwriter**—Paine, Webber, Jackson & Curtis, Chicago. **Offering**—The stocks will be offered to the public at prices to be supplied by amendment. **Proceeds**—To pay off $3,000,000 loan from First National Bank Chicago and Harris Trust and Savings Bank, Chicago, balance working capital.

Central Illinois Public Service Co., Springfield, Ill.

Aug. 14 filed 150,000 shares ($100 par) cumulative preferred stock. **Underwriter**—To be determined by competitive bidding. Probable bidders include Dillon, Read & Co., Inc.; Smith, Barney & Co., White, Weld & Co.; Glore, Forgan & Co.; Lehman Brothers and Lazard, Freres & Co. (jointly). **Offering**—New preferred stock will be offered on a share for share exchange basis to holders of its old preferred stock other than the Middle West Corp. which holds 38,564 shares of such stock. If more than 150,000 shares of old preferred stock are deposited for exchange the number of shares to be exchanged will be pro rated. Shares of new preferred not issued in exchange will be sold to underwriters. **Proceeds**—Net proceeds from sale of shares not issued in exchange will be used to redeem old preferred at $110 a share and accrued dividends.

Central & South West Utilities Co.

Aug. 30 filed its ($5 par) capital stock. Company's name is to be changed by post effective amendment to Central & South West Corp. (Del.) Prospectus will be issued in connection with the public invitation for sealed bids for the purchase of a sufficient number of such shares as same will be constituted upon consummation of a proposed merger into the issuer of American Public Service Co., to provide funds for retiring the preference shares of the issuer and American Public Service Co., not exchanged for shares of the merged corporation Underwriters by amendment. Possible bidders: Glore, Forgan & Co.; Lehman Brothers-Lazard Freres & Co. (jointly); Smith, Barney & Co.-Harriman, Ripley & Co. (jointly); Blyth & Co., Inc., Stone & Webster Securities Corp. and First Boston Corp. (jointly). Price by amendment. **Business**—Public utility holding company.

Central Soya Co., Inc., Fort Wayne, Ind.

Aug. 21 filed 90,000 shares (no par) common. **Underwriters** — Glore Forgan & Co., Chicago. **Offering** — Common shares initially will be offered for subscription to common stockholders at rate of one share for each 7⅓ shares held. Unsubscribed shares will be sold to underwriters. Price by amendment. **Proceeds**—Working capital, etc. Offering indefinitely postponed.

Chase Candy Co., St. Joseph, Mo.

Sept. 12 filed $2,500,000 of 4% sinking fund debentures, due 1961; 100,000 shares ($20 par) 5% convertible cumulative preferred, and 170,000 shares ($1 par) common. **Underwriters** — F. S. Yantis & Co., Inc. and H. M. Byllesby and Co. (Inc.), Chicago, and Herrick Waddell & Co., Inc., New York. **Offering**—Common will be offered for subscription at $10 a share to common stockholders at rate of one share for each two shares held of record on Oct. 19. Shares of common not subscribed for will be offered for sale to officers, directors and employees. **Price**—The debentures will be offered at 100 and the preferred at $20 a share. The common will be offered to stockholders at $10 a share. Pursuant to the common stock subscription rights, F. S. Yantis & Co.

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will purchase 100,000 shares of the 170,000 shares of common for investment. Any of the remaining 70,000 shares which are not subscribed for by stockholders and officers, directors and employees will be sold to the underwriters. **Proceeds**—Net proceeds, estimated at $5,856,125, will be used to pay the balance of the purchase price, amounting to $5,150,000, for acquisition of the candy manufacturing business operated by Clinton Industries, Inc., as its national candy division with plants in St. Louis, Mo., and Chicago. The balance will be used to redeem its 4% serial debentures and for additional working capital.

Clary Multiplier Corp., Los Angeles

Sept. 3 filed 150,000 shares 5½% cumulative convertible preferred stock (par $5). **Underwriting**—Maxwell, Marshall & Co., Los Angeles. **Price**—$5.25 a share. **Proceeds**—Net proceeds, estimated at $650,000, will be used to repay a $90,000 bank loan, to construct a factory and office building at San Gabriel, Calif., at a cost of about $250,000, and to purchase additional equipment, estimated at $250,000. The balance will be added to working capital. Offering temporarily postponed.

Climax Industries, Inc., Chicago

Aug. 28 filed 150,000 shares 5% convertible cumulative preferred ($10 par) and 250,000 shares ($1 par) outstanding common stock. **Underwriter**—Brailsford & Co. **Offering**— company is offering the preferred and General Finance Corp., issuer's sole stockholder, is offering the common for its own account. Prices by amendment. Proceeds of preferred to pay company's indebtedness to General Finance Corp., purchase equipment and real estate and for working capital. Indefinitely postponed.

Colonial Sand & Stone Co., Inc., N. Y.

August 15 filed 300,000 shares ($1 par) common stock. **Underwriters**—Emanuel, Deetjen & Co., New York. Price by amendment. **Proceeds**—Company will receive proceeds from the sale of 150,000 shares and Generoso Pope, President of company, who is selling the remaining 150,000 shares will receive proceeds from these shares. The company will use its proceeds for payment of mortgage notes, open account indebtedness and for purchase of additional equipment. Any balance will be added to working capital. Indefinitely postponed.

Colorado Milling & Elevator Co., Denver, Colo.

Aug. 20 filed 70,000 shares ($50 par) cumulative convertible preferred stock. **Underwriter**—Union Securities Corp., New York. Price by amendment. **Proceeds**—Prior to the proposed issue of preferred stock, the company plans to call its $3 cumulative convertible preferred stock for redemption at $55 a share plus accrued dividends. Funds for the redemption will be supplied by a short term bank loan. Proceeds from the sale of preferred, together with other funds, will be used to repay the bank loan. Indefinitely postponed.

Columbia Aircraft Products Inc., Somerville, N. J.

June 26 filed 150,000 shares ($4 par) 30c cumulative convertible preferred stock, convertible into common stock in the ratio initially of 1½ shares of common for each share of preferred. **Underwriters**—Floyd D. Cerf Co., Inc., Chicago. **Offering**—Company offered 59,585½ shares for subscription to present common stockholders of record Aug. 6 at $4.50 a share in the ratio of one share of preferred for each share of common held. Rights expired Aug. 20. The offering to common stockholders excluded the two principal stockholders who waived their rights to subscribe. The remaining 90,414⅔ shares and shares not subscribed to by common stockholders will be offered to the public through underwriters. **Price**—$5 a share. **Proceeds**—Approximately $55,000 for payment of Federal taxes; $250,000 for payment of a loan; $50,000 as a loan to Palmer Brothers Engines, Inc., a subsidiary, balance working capital.

Commonwealth Aviation Corp., New York

June 28, 1946 filed 150,000 shares ($10 par) 4½% cumulative convertible preferred stock and 300,000 shares ($1 par) common stock. **Underwriters**—To be supplied by amendment. **Price**—$12 a share of preferred and $7 a share of common. **Proceeds**—Estimated net proceeds of $3,420,000 will be used for working capital.

● **Commonwealth Fund of Boston**

Sept. 24 filed commonwealth fund indenture of trust 5,330 plans A; 8,004 plans B. **Underwriting**—Trusteed Funds, Inc., Boston is sponsor. **Price** — At market. **Proceeds** — For investment. **Business** — Investment House.

● **Commonwealth Telephone Co., Madison, Wis.**

Sept. 23 filed 16,071 shares ($100 par) $4 cumulative preferred. **Underwriters** — Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York. **Offering**—The shares will be offered for exchange to the company's $5 cumulative preferred, on a share for share basis, plus a cash adjustment to the old preferred stockholders. Shares not issued in exchange will be sold to the underwriters. Price by amendment. **Proceeds**—Proceeds will be used to redeem at $110 a share, plus divs., all unexchanged shares of old preferred stock and to pay cash amounts required by the terms of the exchange offer. **Business**—Providing telephone service in Wisconsin.

● **Connell (W. W.) Inc. Fort Worth, Tex.**

Sept. 23 (letter of notification) 10,000 shares of common. Offering price, $5 a share. Underwriting, the notification stated that since Connell, President of the corporation, sold to the corporation certain properties, etc., in consideration for the issuance to him of certain stock interest it may be deemed that he is an underwriter. Although he received no part of the sale price nor does he receive any commission on the sale of stock. For expenses and drilling operations.

Consolidated Air Transit, Inc., East Orange, N. J.

July 29 (letter of notification) $100,000 7% cumulative (non-convertible) preferred stock and $100,000 class B common stock. No underwriter at present, but one expected. Price, $50 for preferred and $3 for common. **Proceeds**—For purchase of equipment and for operating capital.

Consolidated Hotels, Inc., Los Angeles

Aug. 9 filed 97,363 shares ($25 par) 4½% convertible preferred stock and 150,000 shares (50c par) common. **Underwriter**—Lester & Co., Los Angeles. **Price**—$25 a share of preferred and $9 a share of common. **Proceeds**—Of the total, the company will receive proceeds from the sale of 851 shares of preferred. The remaining shares of preferred and all of the common are being sold by Ben Weingart, President and director. Company will add the proceeds to working capital.

Consumers Power Co., Jackson, Mich.

Aug. 9 filed an unspecified number of shares (no par) common stock. **Underwriters**—To be determined by competitive bidding. Probable bidders include Morgan Stanley & Co.; Lehman Brothers; Shields & Co.; Harriman Ripley & Co. and The First Boston Corp. (jointly). Price by amendment. **Sale Postponed**—The company on Sept 19 postponed indefinitely the sale of the stock. Bids were advertised for Sept. 24.

Continental Motors Corp., Muskegon, Mich.

July 8 filed 250,000 shares 4¼% cumulative convertible preferred stock, Series A ($50 par). **Underwriters**—Van Alstyne, Noel & Co. **Offering**—Price by amendment. **Proceeds**—For rearrangement and expansion of the company's manufacturing plants, acquisition of additional tools and facilities, and for additional working capital requirements.

Continental-United Industries Co., Inc., N. Y.

Aug. 2 filed 80,000 shares of cumulative sinking fund preferred stock ($25 par) and 350,000 shares ($1 par) common. **Underwriters**—W. C. Langley & Co. and Aronson, Hall & Co. Price by amendment. **Proceeds**—$1,510,833 to repay notes and obligations; $1,600,000 to purchase U. S. Treasury savings notes to fund to that extent current liability of company for Federal taxes, and balance to working capital. Indefinitely postponed.

Cooper Tire & Rubber Co., Findlay, Ohio

July 17 filed 60,000 shares ($25 par) 4½% cumulative convertible preferred. **Underwriters**—Otis & Co. and Prescott & Co., Inc. **Offering**—To the public. Price—$25 a share. **Proceeds**—Estimated net proceeds of $1,356,200 will be used to redeem its outstanding 4% debentures, due 1967, to pay certain debts and for additional equipment, manufacturing space and working capital.

Copco Steel & Engineering Co., Detroit

Aug. 19 filed 115,000 shares ($1 par) common. **Underwriter**—E. H. Rollins & Son, Inc., New York. Price by amendment. **Proceeds**—Of the shares being offered company is selling 100,000 shares and 15,000 shares are being sold by a stockholder. The company will use its proceeds to provide additional factory space and purchase machinery and equipment and to construct a new office building. The balance will be added to working capital. Offering date indefinite.

Crawford Clothes, Inc., L. I. City, N. Y.

Aug. 9 filed 300,000 shares ($5 par) common stock. **Underwriters**—First Boston Corp., New York. Price by amendment. **Proceeds**—Go to Joseph Levy, President, selling stockholders. Offering date indefinite.

Cyprus Mines, Ltd., Montreal, Canada

May 31 filed 500,000 shares of common stock (par $1). **Underwriters**—Sabiston-Hughes, Ltd., Toronto. **Offering**—Shares will be offered to the public at 75 cents a share. **Proceeds**—Net proceeds, estimated at $300,000, will be used for mining operations. **Business** — Exploring for ore.

Danly Machine Specialties, Inc., Cicero, Ill.

July 26 filed 62,000 shares ($25 par) 5% cumulative convertible preferred stock and 71,950 shares (par $2) common stock 40,000 by company and 31,950 by certain stockholders. **Underwriters**—Paul H. Davis & Co., and Shillinglaw, Bolger & Co., Chicago. Price by amendment. **Proceeds**—Company will use proceeds, together with a $1,000,000 bank loan, to purchase machinery, buildings and to retire bank indebtedness. Temporarily postponed.

Delanne Aircraft Corp., New York

Sept. 11 (letter of notification) 300,000 shares of $1 par common. **Offering**—Price $1 a share. No underwriting. For organization of business of manufacturing and selling airplanes.

Derby Oil Co., Wichita, Kans.

July 19 filed 131,517.3 shares ($8 par) common stock. **Underwriting**—H. M. Byllesby and Co., Inc., Chicago, and Nelson Douglass & Co., Los Angeles. Price by amendment. **Proceeds**—Part of the estimated net proceeds will be used to pay a bank loan. The remainder, with other funds, will be used to expand a drilling and exploration program. Indefinitely postponed.

● **Detroit Typesetting Co., Detroit, Mich.**

Sept. 25 filed 70,920 shares ($1 par) common. **Underwriter** — C. G. McDonald & Co., Detroit. **Price** — $5.50 a share. **Proceeds** — Stock is being sold by six shareholders who will receive proceeds. **Business** — Setting and manufacturing type.

Dictaphone Corp., New York

July 25 filed 65,347 shares (no par) common stock. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering**—Stock will be offered to stockholders at rate of one-half share for each share held. Unsubscribed shares will be sold to underwriters. Price by amendment. **Proceeds**—To be added to general funds. Temporarily postponed.

Drayer-Hanson, Inc., Los Angeles

Aug. 12 filed 80,529 shares ($1 par) class A stock, convertible into common stock (par $1). **Underwriters**—Maxwell, Marshall & Co., Los Angeles. **Price**—To public $10.25 a share. **Proceeds**—Net proceeds, estimated at $694,761, will be used to pay off loans and accounts payable. Offering temporarily postponed.

Dumont Electric Corp., New York

Aug. 29 filed 94,000 shares of common stock (par 10c). **Underwriter** — First Colony Corp. **Offering** — 25,000 shares being offered by Dumont Electric Corp., and 69,000 shares by Dumont Electric Co., a limited partnership. Price by amendment. **Proceeds**—Net proceeds from the sale of the company's 25,000 shares will be used for general corporate purposes. Offering temporarily postponed.

Electronic Laboratories, Inc., Indianapolis, Ind.

July 29 filed 140,000 shares ($1 par) common stock, of which 40,000 shares are being sold by two stockholders. **Underwriters**—By amendment. May be placed privately. Price by amendment. **Proceeds**—From sale of company's 100,000 shares for purchase of inventory, payrolls, and working capital.

Empire Millwork Corp., New York

Aug. 28 filed 50,000 shares of $1.25 cumulative convertible preferred stock, (par $25) and 150,000 shares of common stock (par $1). **Underwriters**—Van Alstyne, Noel & Co. **Proceeds**—Corporation will receive the proceeds from the issuance of 50,000 shares of the common stock which will be used to increase productive capacity, add new lines of products and expand the business. The remaining 100,000 shares of common stock and the preferred shares will be sold by present stockholders.

Engineers Waterworks Corp., Harrisburg, Pa.

June 24 (letter of notification) $275,000 4% debentures due 1971. **Underwriters**—C. C. Collings & Co., and Stroud & Co., Inc., Philadelphia. Price, $101. **Proceeds** for purchase of additional water properties or their securities and for other corporate purposes.

Ero Manufacturing Co., Chicago

Sept. 5 filed 105,000 shares common stock (par $1). **Underwriter**—Straus & Blosser, Chicago. **Price**—$11.50 a share. **Proceeds** — Shares are being sold by stockholders.

Fashion Frocks, Inc.

July 24 filed 200,000 shares ($1 par) common stock. **Underwriter**—Van Alstyne, Noel & Co. **Offering**—Offering does not constitute new financing but is a sale of currently outstanding shares owned by members of the Meyers family, owner of all outstanding stock. After giving effect to the sale and assuming exercise of certain warrants and an option, the Meyers family will retain ownership of approximately 58% of the common stock.

● **Felt & Tarrant Manufacturing Co.**

Sept. 25 filed 251,340 shares of common stock (par $5). **Underwriters** — Lee Higginson Corp. and Kidder, Peabody & Co. **Offering** — Shares are being sold by shareholders after consummation of proposed changes in company's capitalization and the merging into the company of Comptometer Co. Price by amendment. **Business** — Makers of "Comptometer" adding-calculating machines.

Fidelity Discount Corp., Detroit

Sept. 13 (letter of notification) 10,000 shares ($10 par) 6% cumulative convertible preferred. **Offering**—Price $10 a share. **Underwriter**—First of Michigan Corp., Detroit. For additional working capital.

Films Inc., New York (10/28-31)

June 25, filed 100,000 shares ($5 par) class A stock and 300,000 shares (10 cent par) common stock, of which 200,000 shares reserved for conversion of class A. Each share of class A stock is initially convertible into 2 shares of common stock. **Underwriters**—Herrick, Waddell & Co., Inc., New York. **Offering**—To be offered publicly at $8.10 a unit consisting of one share of class A stock and one share of common stock. **Proceeds**—$201,000 for retirement of 2,010 shares ($100 par) preferred stock at $100 a share; remaining proceeds, together with other funds, will be used for production of educational films.

Food Fair Stores, Inc., Philadelphia

Aug. 5 filed 60,000 shares ($15 par) cumulative preferred stock. **Underwriters**—Eastman, Dillon & Co. Price by amendment. **Proceeds**—To be used to redeem 15-year 3½% sinking fund debentures, due 1959; and $2.50 cumulative preferred at $53 a share. Balance will be added to working capital. Temporarily postponed.

Foreman Fabrics Corp., New York
July 29 filed 110,000 shares ($1 par) common stock, all outstanding. **Underwriters**—Cohu & Torrey. Price by amendment. Offering date indefinite.

Forest City Mfg. Co., St. Louis
June 17, filed 280,000 shares ($1 par) common stock. **Underwriters**—Peltason, Tenenbaum Co., St. Louis. **Offering**—Shares will be offered publicly at $11.25 a share. **Proceeds**—Net proceeds go to the selling stockholders.

Foster & Kleiser Co., San Francisco
July 29 filed 100,000 shares of $1.25 cumulative convertible preferred stock (par $25). **Underwriter**—Blyth & Co., Inc. **Offering**—Underwriters are making exchange offer to holders of Class A preferred on share for share basis plus a cash adjustment. **Proceeds**—Approximately $1,060,950 for redemption of class A preferred; balance for expansion, working capital, etc. Dividend rate and price by amendment. Offering temporarily postponed.

Fownes Brothers & Co., Inc., N. Y.
Aug. 6 filed 100,000 shares ($1 par) capital stock. **Underwriter**—Van Alstyne, Noel & Co., New York. Price by amendment. **Proceeds**—The shares are issued and outstanding and are being sold by Ivens Sherr, President and A. I. Sherr, Executive Vice-President, who will receive proceeds.

Fresh Dry Foods, Inc., Columbia, S. C.
Aug. 30 filed 450,000 shares (10¢ par) common. **Underwriter**—Newkirk & Banks, Inc. **Offering**—Of the total company is selling 350,000 shares and two stockholders, Roland E. Fulmer and Louis H. Newkirk, Jr., are selling the remaining 100,000 shares. **Price**—$6 a share. **Proceeds**—For purchase of sweet potatoes, plant expansion, additional storage facilities, research and development work and working capital.

General Bronze Corp., L. I. City
July 26 filed 115,000 shares of cumulative convertible preferred stock ($25 par). **Underwriters**—W. C. Langley & Co. and Aronson, Hall & Co. Price by amendment. **Proceeds**—To pay cost of acquisition, construction and equipment of new plant, and for working capital. Indefinitely postponed.

Glen Industries Inc., Milwaukee, Wis.
July 31 filed 50,000 shares of $1.25 cumulative convertible preferred stock series A ($20 par) and 150,000 shares (10c par) common, all issued and outstanding and being sold by eight selling stockholders. **Underwriters**—Van Alstyne Noel & Co. Price by amendment. **Proceeds**—To selling stockholders.

Glensder Textile Corp., New York
Aug. 28 filed 355,000 shares ($1 par) common, of which 55,000 shares are reserved for issuance upon the exercise of stock purchase warrants. **Underwriter** — Van Alstyne, Noel & Co. **Offering**—The 300,000 shares are issued and outstanding and being sold for the account of certain stockholders. Company has also issued 55,000 stock purchase warrants to the selling stockholders at 10 cents a share entitling them to purchase up to Aug. 1, 1949, common stock of the company at $11 a share. Price by amendment.

● **Golden Crown Mining Co., Crown King, Ariz.**
Sept. 15 (letter of notification) 20,000 shares ($1 par) common on behalf of Western Gold Mines, Inc., Carson City, Nev. Offering price, $2 a share. **Proceeds**—To the selling stockholder.

Grand Canyon-Boulder Dam Tours, Inc., Boulder City, Nev.
Sept. 3 filed 636,500 shares ($5 par) capital stock. **Underwriting**—There will be no underwriting but Everett N. Crosby, President and James Manoil, Treasurer, will act as selling agents. **Offering**—Of the total 500,000 shares will be offered to the public and the remaining 136,500 shares will be reserved for issuance partly in payment of an indebtedness. Partly as a commission to the selling agents and partly on exercise of options. **Price**—$5 a share. **Proceeds**—For refinancing of company and for working capital and funds for development and construction program.

Grand Valley Oil Corp., New York
Aug. 28 (letter of notification) 300,000 shares ($1 par) common. Of the total, 85,590 shares are to be exchanged for overriding royalty interests in leases and fee properties formerly operated by R. E. Leyendecker, Inc., and operations to be carried on by the issuer. The balance, 214,410 shares, will be offered publicly at $1 a share. **Underwriter**—Leven Brothers, New York. **Proceeds**—For direct corporate purposes.

Griggs, Cooper & Co., St. Paul, Minn.
Sept. 3 (letter of notification) 12,000 shares ($1 par) common. **Underwriters**—Kalman & Co., Inc., St. Paul. **Price**—$25 a share. **Proceeds** — For improvement and modernization program. Offering indefinitely postponed.

Grolier Society, Inc., New York
July 29 filed 18,500 shares at $4.25 cumulative preferred stock ($100 par), with non-detachable common stock purchase warrants entitling registered holders of shares of the $4.25 preferred to purchase at any time 64,750 shares of common stock at $16 a share at the ratio of 3½ common shares for each preferred share held; and 120,000 shares of $1 par common stock. **Underwriters**—H. M. Byllesby and Co., Inc. **Offering**—Underwriters to purchase from the company 18,500 shares of preferred and 20,000 shares of common; and from Fred P. Murphy and J. C. Graham, Jr., 100,000 shares of issued and outstanding common. Prices, preferred $100 a share; common $14 a share. **Proceeds**—To retire $6 cumulative preferred, pay notes, discharge a loan. Offering temporarily postponed.

Gubby Mines, Ltd., Montreal, Canada
May 31 filed 500,000 shares of common stock (par $1). **Underwriters**—Sabiston-Hughes, Ltd., Toronto. **Offering**—Shares will be offered to public at 75 cents a share. **Proceeds**—Net proceeds, estimated at $300,000, will be used for mining operations.

Gulf Atlantic Transport'n Co., Jacksonville, Fla.
Jan. 17 filed 270,000 shares of common stock (par $1). **Underwriters**—Blair & Co. **Offering**—Stock is being offered to present shareholders at $3 per share. Holders of approximately 200,000 shares have agreed to waive their preemptive rights.

● **Hamilton Pipeline Co., Thermopolis, Wyo.**
Sept. 19 (letter of notification) $300,000 of first mortgage bonds. Offering price, $1,000 a unit. **Underwriter**—Peters, Writer & Christensen, Inc., Denver, Colo. Proceeds will go to the underwriting firm.

Hammond Instrument Co., Chicago
Aug. 8 filed 80,000 shares ($1 par) common. **Underwriter:** Paul H. Davies & Co., Chicago. Price by amendment. **Proceeds**—Net proceeds will be used to redeem its outstanding 6% cumulative preferred stock at an estimated cost of $213,258, exclusive of accrued dividends. It also will use approximately $402,000 toward the purchase of a manufacturing plant in Chicago; balance for working capital. Offering temporarily postponed.

● **Harris Manufacturing Co., Stockton, Calif.**
Sept. 20 (letter of notification) a maximum of 150,000 shares ($2 par) class B stock. Offering, for subscription to present class B stockholders at $2 a share. No underwriting. For additional working capital.

Hartfield Stores, Inc., Los Angeles
June 27 filed 100,000 shares ($1 par) common stock. **Underwriters**—Van Alstyne, Noel & Co., New York, and Johnston, Lemon & Co., Washington, D. C. **Offering**—To be offered to the public at $8 a share. **Proceeds**—Company is selling 60,000 shares and stockholders are selling 40,000 shares. The company will use its proceeds to pay the costs of opening additional stores and to expand merchandise in its existing stores.

Hayes Manufacturing Corp., Gr. Rapids, Mich.
Feb. 27 filed 185,000 shares of common stock ($2 par). Shares are being sold by certain stockholders. Stock acquired by selling stockholders in exchange for 432,000 shares of common stock (par $3) of American Engineering Co. **Underwriter**—By amendment. **Offering**—Price by amendment.

● **Heinz (H. J.) Co., Pittsburgh**
Sept. 18 filed 100,000 shares ($100 par) cumulative preferred and 200,000 shares ($25 par) common. **Underwriters**—Morgan Stanley & Co., New York. **Price**—By amendment. **Proceeds**—Company will apply $5,150,000 to redemption on or prior to Jan. 1, 1947, of outstanding 4% cumulative preferred at 103 and dividends. Balance will be added to working capital. **Business**—Processing, packing and sale of food products.

Holt (Henry) & Co., Inc., New York
June 28, 1946 filed 20,000 shares of 4½% ($25 par) cumulative convertible preferred stock and 33,884 shares ($1 par) common stock. **Undrewriters**—Otis & Co., Cleveland, Ohio. **Offering**—Company is selling the preferred shares and stockholders are selling the common shares. **Price**—$25 a share of preferred. Price for the common by amendment. **Proceeds**—Net proceeds will be added to general funds.

Illinois Power Co., Decatur, Ill.
June 17, filed 200,000 shares ($50 par) cumulative preferred stock and 966,870 shares (no par) common stock. **Underwriters**—By competitive bidding. Probable bidders include Blyth & Co., Inc. and Mellon Securities Corp. (jointly) and Morgan Stanley & Co. and W. E. Hutton & Co. (jointly). **Proceeds**—Net proceeds from the sale of preferred will be used to reimburse the company's treasury for construction expenditures. Net proceeds from the sale of common will be applied for redemption of 5% cumulative convertible preferred stock not converted into common prior to the redemption date. The balance will be added to treasury funds. Company has asked the SEC to defer action on its financing program because of present market conditions.

International Dress Co., Inc., New York
Aug. 28 filed 140,000 shares of common stock (par $1). **Underwriter**—Otis & Co. **Offering**—Price $10 per share. **Proceeds**—Selling stockholders will receive proceeds.

Jensen Manufacturing Co., Chicago
July 24 filed 148,176 shares ($1 par) common stock. **Underwriter**—Doyle, O'Connor & Co., Chicago. **Price**, $8.87½ a share. **Proceeds**—Shares are being sold by two stockholders. Offering temporarily postponed.

Joe Dandy Mining Co., Colorado Springs, Colo.
Sept. 5 (letter of notification) 888,500 shares (1¢ par) common stock on behalf of Inter-Mountain Shares, Inc. Offering price, 2 cents a share. **Underwriter**—Inter-Mountain Shares will do its own selling. Proceeds go to the selling stockholder.

Kalamazoo (Mich.) Vegetable Parchment Co.
Sept. 3 filed 100,000 shares ($10 par) common stock. **Underwriting** — No underwriting. **Offering** — For subscription to common stockholders in the ratio of one share for each five shares held. **Price**—$15 a share. **Proceeds**—Proceeds, estimated at $1,500,000, will be used to retire a $500,000 short-term bank loan, to make loans to The KVP Co. Ltd., a subsidiary, and to increase working capital.

Lake State Products, Inc., Jackson, Mich.
Aug. 27 (letter of notification) 100,000 shares ($1 par) common for benefit of issuer. **Underwriter**—Keane & Co., Detroit. **Offering**—Price $2.50 a share. Proceeds for working capital to enable issuer to produce its product, an automatic dishwashing machine in commercial quantities.

Lime Cola Co., Inc., Montgomery
June 28, 1946 filed 225,000 shares (10 cent par) common stock. **Underwriters**—Newburger and Hano, Philadelphia, and Gearhart & Co., Inc., New York. **Price**—$5.50 a share. **Proceeds**—Working capital, etc. Offering temporarily postponed.

● **Limoges China Corporation, New York**
Sept. 25 filed 75,000 shares ($1 par) common. **Underwriter** — Riter & Co., New York. **Price** — By amendment. **Proceeds** — Shares are being sold by Harry Bloomberg, President of company, who will receive proceeds.

● **Longines-Wittnauer Watch Co., Inc., New York**
Sept. 23 filed voting trust certificates for 500,000 shares ($1 par) common stock. City Bank Farmers Trust Co., New York, will act as agent and depositary.

● **Macco Corp., Clearwater, Calif.**
Sept. 25 filed 100,000 shares ($1 par) capital stock. **Underwriter** — Dean Witter & Co., Los Angeles. **Price**—By amendment. **Proceeds** — To pay off outstanding bank loans. **Business** — Engaged in six different businesses: Oil Division; Rig Building Division; Construction Division; Lumber Division; Rotary Mud Division and Crushed Rock Division.

Mada Yellowknife Gold Mines, Ltd., Toronto
June 7 filed 250,000 shares of capital stock (par 40c). **Underwriters** — Names to be supplied by amendment. **Offering**—Stock will be offered publicly in the U. S. at 40c a share (Canadian money). **Proceeds**—Proceeds, estimated at $75,000, will be used in operation of the company. **Business**—Exploring and developing gold mining properties.

Maine Public Service Co., Preque Isle, Me.
June 25 filed 150,000 shares ($10 par) capital stock. **Underwriters**—To be determined through competitive bidding. Probable bidders include The First Boston Corp.; Kidder, Peabody & Co., and Blyth & Co., Inc. (jointly); Harriman Ripley & Co; Coffin & Burr and Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—The shares are being sold by Consolidated Electric and Gas Co., parent of Maine Public Service, in compliance with geographic integration provisions of the Public Utility Holding Company Act.

May McEwen Kaiser Co., Burlington, N. C.
Aug. 22 filed 175,418 shares ($1 par) common stock. **Underwriters**—Goldman, Sachs & Co., and Hemphill, Noyes & Co. **Price**—By amendment. **Proceeds**—Net proceeds go to 11 shareholders who are selling the stock being registered. Offering temporarily postponed.

● **Mercantile Acceptance Corp. of Calif., San Francisco**
Sept. 17 (letter of notification) 1,000 shares of $20 par 5% preference stock. Offering price, $20 a share. **Underwriter**—Guardian Securities Corp., San Francisco. The shares are being sold on behalf of Harold G. Snodgrass, president and director of the company, who will receive proceeds.

Mercury Messenger Corp., New York, N. Y.
Aug. 28 (letter of notification) 93,000 shares of capital common stock (par 20c). No underwriting. **Price**—$2.70 a share. Proceeds will go to expansion of issuer's business.

Mica Mountain Mines, Inc., Salt Lake City
Sept. 11 (letter of notification) 171,000 shares of common for company, and 22,937 shares to be reoffered in the alternative for an oversale of offering covered by letter of notification filed Jan. 2, 1946. Offering price, 171,000 shares — 25 cents each; 22,937 shares — 20 cents each. Underwriting, for the 171,000 shares only—Howard R. Clinger and O. M. Lyman, both of Salt Lake City. To finance operations until production returns begin.

Michigan Gas & Elec. Co., Ashland, Wis.
June 24 filed $3,500,000 of series A first mortgage bonds, due 1976; 14,000 shares ($100 par) cumulative preferred stock and 120,000 shares ($10 par) common stock. **Underwriters**—To be determined by competitive bidding. Probable bidders include Blyth & Co., Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Harris, Hall & Co. (Inc.); Merrill Lynch, Pierce, Fenner & Beane, and Ira Haupt & Co. **Offering**—New preferred will be offered on a share for share exchange basis to holders of its outstanding 7% prior lien, $6 no-par prior lien, 6% preferred and $6 (no par) preferred. Of the common stock being registered, company is selling 40,000 shares,

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Middle West is selling 57,226 shares and Halsey, Stuart & Co. Inc., New York, is selling 22,774 shares. **Proceeds**—Michigan will use net proceeds from bonds to redeem $3,500,000 3¾% series A first mortgage bonds, due 1972, at 106.75 and interest. Net proceeds from sale of common and from shares of new preferred not issued in exchange will be used to redeem $375,000 3½% serial debentures, due 1951, at 101.2 and interest. It also will redeem at 105 and accrued dividends all unexchanged shares of prior lien and preferred stocks.

Michigan Steel Casting Co., Detroit

June 27 filed 100,000 shares ($1 par) common stock. **Underwriters**—Cray, McFawn & Co., Detroit. **Offering**—To be offered publicly at $8.25 a share. **Proceeds**—Purchase additional facilities, expansion, etc. Offering indefinitely postponed.

Mississippi Fire, Casualty & Surety Corp.

August 19 (letter of notification) 14,000 shares ($10 par) common stock, offering price $20 a share. **Underwriter**—Clany M. Seay, Jackson, Miss. will undertake to obtain signatures authorizing subscriptions for the stock to create capital and surplus for operation of business. Company is to be organized in Mississippi.

Morrison-Knudsen Co., Inc., Boise, Idaho

July 22 filed 249,550 shares ($10 par) common and 70,000 shares of ($50 par) 4½% cumulative convertible preferred. **Underwriter**—Blyth & Co., Inc., and Wegener & Daly, Inc. **Proceeds**—Selling stockholders are offering 149,550 shares of the common and will receive proceeds from these shares. The company's proceeds, together with funds to be provided from the sale of $2,000,000 of 3½% debentures, due 1961, will be used to retire its certificates of indebtedness, outstanding preferred stock and a portion of its bank loans. It also will use the funds for investment in preferred stocks of subsidiaries. **Price**—Preferred, $50 per share; common, $16 per share. Offering temporarily postponed.

● **Mosher Steel Co., Dallas, Tex.**

Sept. 23 (letter of notification) 4,000 shares of common. Offering price, at market. **Underwriters** — Rauscher, Pierce & Co., Dallas; Mooney, Beissner & Co., Houston. Addition to fund for paying cost of plant additional improvements.

Mountain States Power Co.

June 6 filed 140,614 shares of common stock (no par). **Underwriters**—To be determined by competitive bidding. Probable bidders include Blyth & Co., Inc.; Kuhn, Loeb & Co. and Smith Barney & Co. (jointly); Harriman, Ripley & Co.; The First Boston Corp. **Offering**—Shares, are owned by Standard Gas & Electric Co. and constitute 56.39% of the company's outstanding common. **Sale Postponed**—Standard Gas & Electric Co. asked for bids for the purchase of the stock on Sept. 4, but the sale has been temporarily postponed.

● **Muehlebach (George) Brewing Co., Kansas City, Mo.**

Sept. 25 filed 41,327 shares ($25 par) 5% cumul. Participating preferred and 40,000 shares ($1 par) common. **Underwriters** — Headed by Stern Brothers & Co., Kansas City. **Offering** — Preferred and 20,000 shares of common will be offered publicly. Remaining 20,000 shares common will be offered to officers and key employees at $4.75 each. **Price** — To the public preferred $25 per share and common $5.75 per share. **Proceeds** — Of shares being offered to the public, 34,827 shares of preferred are being sold by 34 stockholders and 6,500 shares of preferred and 20,000 shares of common are being sold by the company. **Proceeds** — Proceeds to the company, together with other funds, will be used to pay off $181,909 balance of note held by Schroder Trust Co., New York; to finance a proposed expansion program and to increase working capital. **Business** — Brewing Pilsener beer.

Murphy (G. C.) Co., McKeesport, Pa.

June 13 filed 250,000 shares of common stock (par $1). **Underwriter**—Smith, Barney & Co. Price by amendment. **Proceeds**—Redemption of outstanding 4¾% preferred stock at $109 a share plus dividends. Indefinitely postponed.

National Alfalfa Dehydrating & Milling Co., Lamar, Colo.

June 28 filed 28,960 shares of 4½% cumulative preferred stock ($100 par), 250,000 shares of common stock ($1 par) and warrants for 28,960 common shares (attached to preferred stock). **Underwriters**—Stone & Webster Securities Corp., and Bosworth, Chanute, Loughridge & Co. Price by amendment. **Proceeds**—Shares are outstanding and are being sold by stockholders. Temporarily postponed.

National Manufacture and Stores Corp., Atlanta

June 12 (letter of notification) 8,500 shares of common stock. Offering price, $35 a share. **Underwriters**—Clement A. Evans & Co., Inc. **Proceeds**—For redemption of outstanding $2.50 class A non-cumulative stock. Postponed indefinitely.

Newburgh Steel Co., Inc., Detroit

Aug. 2 filed 30,000 shares of 6% cumulative convertible preferred (par $10), and 30,000 common shares ($1 par). **Underwriters**—Names by amendment. **Offering**—Shares are issued and outstanding and are being sold by Maurice Cohen and Samuel Friedman, President and Secretary-Treasurer, respectively, each selling 15,000 shares of preferred and 15,000 shares of common. **Price**—$10 a share for the preferred and $6 a share for the common. Expected late October or early November.

New England Gas and Electric Association

July 11 filed $22,500,000 20-year collateral trust sinking fund Series A bonds, and a maximum of 1,568,980 common shares ($5 par). **Underwriters**—By amendment. Bidders may include Halsey, Stuart & Co. Inc. (bonds only), Bear, Stearns & Co. (stock only), First Boston Corp., White, Weld & Co.-Kidder, Peabody & Co. (jointly). **Offering**—Bonds and common stock are being offered in connection with a compromise recapitalization plan approved by the SEC, on June 24, 1946, which among other things provides for the elimination of all outstanding debentures and preferred and common stocks, and for the issuance of $22,500,000 of bonds and 2,300,000 of new common shares. Price by amendement. **Proceeds**—To retire outstanding securities, aggregating $34,998,-500. Bids for the purchase of the bonds and the common stock which were to be received by the company Aug. 13 were withdrawn Aug. 12. Sale postponed indefinitely.

Northern Engraving & Mfg. Co., La Crosse, Wis.

Aug. 29 filed 70,000 shares ($2 par) common stock. **Underwriter**—Cruttenden & Co. **Offering**—All shares are issued and outstanding and being sold for the account of present holders. **Price**—$16 a share. **Proceeds**—To selling stockholders. Indefinitely postponed.

Northern Indiana Public Service Co.

Aug. 28 filed maximum of 384,016 shares of common stock. Underwriters by amendment as shares will be offered under competitive bidding. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; Stone & Webster Securities Corp., and Harriman Ripley & Co., Inc. (jointly). Of the shares registered, 182,667 are being sold by Midland Realization Co.; 54,426 by Midland Utilities Co., and 146,923 by Middle West Corp.

● **Northwest Airlines, Inc., St. Paul, Minn.**

Sept. 19 filed 271,935 shares ($10 par) common. **Underwriter** — Auchincloss, Parker & Redpath, Washington, D. C.; The First Boston Corp., and Hornblower & Weeks, New York. **Offering**—Shares initially will be offered for subscription to common stockholders in ratio of one additional share for each two shares held. Unsubscribed shares will be sold to underwriters. **Price**—By amendment. **Proceeds** — Proceeds will be used to pay bank loans and the remainder will be used for purchase of additional equipment and facilities. **Business** — Operation of airline system.

Northwestern Public Service Co., Huron, S. D.

June 28 filed $5,275,000 first mortgage bonds, due 1976; 26,000 shares ($100 par) cumulative preferred stock, and 110,000 shares of $3 par common. **Underwriters**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc. (bonds); Harriman Ripley & Co., Inc.; Lee Higginson Corp.; A. G. Becker & Co., Inc., Salomon Brothers & Hutzler, Dick Merle-Smith, Drexel & Co., Harris Hall & Co. (Inc.) and Stroud & Co., (jointly); **Offering**—Securities will be sold at competitive bidding. **Proceeds**—Refunding.

Nugent's National Stores, Inc., New York

June 21 filed 85,000 shares ($1 par) common stock. **Underwriters**—Newburger & Hano, and Kobbe, Gearhart & Co., Inc. Price, $6.75 a share. **Proceeds**—Net proceeds to the company from 62,000 shares, estimated at $350,200, will be applied as follows: About $111,300 for retirement of outstanding preferred stock; $41,649 to purchase 100% of the stock of two affiliates, and balance $197,000 for other corporate purposes. The proceeds from the other 3,000 shares will go to selling stockholders. Offering temporarily postponed.

Ohio Associated Telephone Co. (10/1-2)

Sept. 11 filed $3,250,000 of first mortgage bonds, 2⅞% series, due 1976; and 35,000 shares (no par) $2 cumulative preferred. **Underwriters** — Paine, Webber, Jackson & Curtis and Stone & Webster Securities, both of New York. **Offering**—Of the preferred being registered, 21,-000 are being sold by the company and the remaining 14,000 are being sold by General Telephone Corp. **Price**—By amendment. **Proceeds**—Net proceeds to the company will be use to redeem its $1,770,000 of 3½% first mortgage bonds, due 1970, at 107½%; to repay $1,450,-000 in bank loans; to pay General Telephone Corp. $937,518 in retirement of its 6% cumulative preferred owned by General and to reimburse its treasury for funds previously expended.

Oklahoma Oil Co., Denver, Colo.

Aug. 5 (letter of notification) 571,000 shares (5c par) common on behalf of Frank C. Myers, President and Treasurer of the company. **Offering**—Price at market. **Underwriting**—Inter-Mountain Shares, Inc. **Proceeds**—Go to the selling stockholder.

Old Town Ribbon & Carbon Co. Inc., Brooklyn

Sept. 19 filed 140,900 shares ($5 par) common. The shares are being sold by three stockholders. **Underwriter**—The First Boston Corp., New York. **Price**—By amendment.

Orange-Crush de Cuba, S. A., Havana, Cuba

July 22 filed 75,000 shares of $1.50 par common. **Underwriter**—Elder, Wheeler & Co. **Offering**—Price $8 a share. **Proceeds**—Of the total company is selling 25,000 shares and stockholders are selling 50,000 shares. The company will use its proceeds for equipment. Offering date indefinite.

Pacific Power & Light Co., Portland, Ore.

July 10 filed 100,000 shares ($100 par) preferred stock. **Underwriters**—By amendment. Probable bidders include Blyth & Co., Inc., White, Weld & Co. and Smith, Barney & Co. (jointly); The First Boston Corp., W. C. Langley & Co.; Harriman Ripley & Co. **Offering**—Company proposes to issue the 100,000 shares of new preferred for the purpose of refinancing at a lower dividend rate the 67,009 outstanding preferred shares of Pacific and the 47,806 preferred shares of Northern Electric Co., in connection with the proposed merger of Northwestern into Pacific. In connection with the merger, the outstanding preferred stocks of Pacific and Northwestern will be exchanged share for share, with cash adjustments, for the new preferred stock of Pacific, the surviving corporation. **Offering price**—To be supplied by amendment.

Pacific Telephone and Telegraph Co., San Francisco

Sept. 6 filed $75,000,000 of 40-year debentures, due 1986. **Underwriters**—By competitive bidding. Probable bidders include Morgan, Stanley & Co., Blyth & Co., Inc., Halsey Stuart & Co., Inc. **Proceeds**—Net proceeds will be used to reimburse its treasury for previous expenditures for extensions and improvements to its plant and plants of subsidiaries. Remaining proceeds will be used to repay outstanding advances from American Telephone & Telegraph Co., parent, which are expected to nearly equal the amount of the proceeds from the sale of the debentures, the registration stated.

Pal Blade Co., Inc., New York

June 28, 1946 filed 227,500 shares ($1 par) capital stock. **Underwriters** — F. Eberstadt & Co., Inc. **Offering** — 225,000 shares are outstanding and are being sold by 10 stockholders, and 2,500 shares are being sold by A. L. Marlman to all salaried employees. Indefinitely postponed.

Palmetto Fibre Corp., Washington, D. C.

August 16 filed 4,000,000 shares (10¢ par) preference stock. **Underwriting**—Tellier & Co., New York. Price 50 cents a share. **Proceeds**—The company will use estimated net proceeds of $1,473,000 for purchase of a new factory near Punta Gorda, Florida, at a cost of about $951,928. It will set aside $150,000 for research and development purposes and the balance will be used as operating capital.

Paoli-Malvern Airpark Corp., Malvern, Pa.

Sept. 13 (letter of notification) 100,000 shares of $1 par Class A common. **Offering**—Price $3 a share. No underwriting. For organization of airport business.

● **Peerless Laundry Services, Ltd., Los Angeles**

Sept. 15 (letter of notification) 98,485 shares ($1 par) prior preferred and 8,625 shares of $1 par common. Offering price, $1 a unit. No. underwriting. Company said that offers made on Aug. 1, and Aug. 12, 1946, were without registration with the SEC and that, therefore, the previous offers were withdrawn. The company will use the proceeds from the present sale as working capital.

Peninsular Oil Corp., Ltd., Montreal, Canada

Sept. 3 filed 600,000 shares of common (par $1). **Underwriter**—Sabiston Hughes, Ltd., Toronto, Canada. **Price**—60 cents a share. **Proceeds**—Net proceeds will be used to purchase drilling machinery and other equipment.

● **Plantation Foods, Inc., Burton, S. C.**

Sept. 19 (letter of notification) 500 shares ($100 par) common. Offering price, $100 a share. No underwriting. To cover increased cost of equipment and materials and to allow for an operating surplus.

Plastic Molded Arts, Inc., New York (10/21-25)

Aug. 27 filed 60,000 shares of preferred stock ($10 par) and 75,000 shares of common (par 50c). **Underwriter**—Herrick, Waddell & Co., Inc. **Offering**—Company is offering the preferred stock to the public, while the common is being sold by certain stockholders. **Prices**—Preferred, $10 a share; common, $4 a share. **Proceeds**—Proceeds from sale of preferred will be used to purchase equipment, pay bank loans, and other corporate purposes.

Portland (Ore.) Transit Co.

June 14 filed $1,250,000 4% convertible debentures due June 1, 1966, and 200,000 shares of common stock (par $1); also an additional 128,750 common shares for conversion of debentures. **Underwriters**—First California Co.; Scherck, Richter & Co.; Weeden & Co.; Allen & Co., and Rauscher, Pierce & Co. **Proceeds**—To complete payment of purchase price for the capital stock of Portland Traction Co. and the properties of the Interurban Railway Division of Portland Electric Power Co., working capital, etc. Offering price of debentures $105; price of common to public, $8.25 per share.

Precision Parts Co. of Ann Arbor, Mich.

July 5 filed 75,000 shares 5% cumulative convertible preferred stock ($10 par). **Underwriter**—Van Alstyne, Noel & Co. and associates. Price by amendment. **Proceeds**—Of the net proceeds, $250,000 will be used to pay 3% notes held by National Bank of Detroit, $75,000 to reimburse treasury for sums spent in acquisition of the electrical division plant of the company, $30,000 for construction of space for executive offices in the economy baler plant, and the balance will be deposited with general funds.

Red Rock Bottling Co. of Youngstown, Warren, O.
Aug. 16 (letter of notification) 199,000 shares (50c par) common and warrants for purchase of 125,000 additional common. **Offering**—Price $1.50 a common share and one cent a warrant. **Underwriters**—Frank C. Moore & Co., New York; and Hall, Tattersall & Co., Philadelphia. For payment of plant mortgage, purchase of additional equipment and for working capital.

Republic Foil & Metal Mills, Inc., Danbury, Conn.
Sept. 6 filed $500,000 of 3½% notes, due 1966; 2,500 shares of 3½% preferred stock (par $100) and 15,000 shares of common stock (no par). **Underwriting** — No underwriting. **Offering**—The securities being registered include notes, preferred and common previously sold to private subscribers for an aggregate price of $464,384. The company is offering to repurchase these securities with interest and reoffer them to the public. The purpose of the recission offer is because the earlier securities were not registered with the SEC. **Price**—The notes will be sold at 100, the preferred at $100 a share, and the common at 10 cents a share. **Proceeds** — Proceeds will be added to general corporate funds.

Republic Pictures Corp., New York
Registration originally filed July 31 covered 184,821 shares of $1 cumulative convertible preferred ($10 par) and 277,231 shares (50c par) common stock, with Sterling, Grace & Co. as underwriters. Company has decided to issue 454,465 shares of common stock only, which will be offered for subscription to stockholders of record Sept. 5 to the extent of one share for each five held. Issue will not be underwritten.

Reynolds Pen Co., Chicago
May 4 filed 400,000 shares of common stock (no par), of which 100,000 shares are being sold by company and 300,000 by stockholders. **Underwriters**—Names by amendment. **Offering**—Terms by amendment. **Proceeds**—Net proceeds to the company will be added to working capital.

Rheem Manufacturing Co.
June 26, 1946 filed 200,000 shares ($1 par) common stock. **Underwriters**—Blyth & Co., Inc. **Offering**—Company will sell 130,000 shares to the public through the underwriters and 70,000 shares to Bethlehem Steel Co. **Price**—By amendment. **Proceeds**—Working capital. Temporarily postponed.

Rowe Corp., New York
July 29 filed 100,000 shares common stock. **Underwriters**—Hayden, Stone & Co. **Offering**—The selling stockholders, who include Robert Z. Greene, President, are offering the shares to the public through the underwriters, for their own account. Price, by amendment. Offering date indefinite

San-Nap-Pak Mfg. Co. Inc., New York
July 24 filed 80,000 shares ($1 par) common stock. **Underwriters**—Dunne & Co., New York. **Offering**—Price by amendment. **Proceeds**—Nat E. Heit, President and director, and Harry Preston, board Chairman, Secretary and Treasurer, will receive net proceeds as selling stockholders. Offering date indefinite.

Sardik Food Products Corp., New York
May 29 filed 175,000 shares of capital stock (no par). **Underwriter**—George F. Breen, New York. **Offering**—Stock will be offered to public at $14 a share. Of the total being offered company is selling 155,000 shares and the remaining 20,000 shares are being sold by two stockholders. **Proceeds**—Working capital, purchase equipment and plant, etc. Temporarily postponed.

Scripto, Inc., Atlanta, Ga.
Aug. 7 filed 25,000 shares ($10 par) 5% cumul. convertible preferred stock and 244,000 shares ($1 par) common stock. **Underwriters**—Clement A. Evans & Co., Inc., Atlanta. Price of preferred $10.75 per share; price of common, $5.625 per share. **Proceeds**—Company is selling the 25,000 shares of preferred to the underwriters at $10 a share and stockholders are selling 244,000 shares to the underwriters at $5 a share. The registration stated that 24,000 of the 244,000 shares of common are being reserved for a period of four days following the effective date of the registration for sale to employees, officers and directors at $5 a share. The company also is selling 200,000 stock purchase warrants to executives of the company at 50 cents a warrant. Company will use its proceeds for general corporate purposes. Offering date indefinite.

Seaboard Finance Co., Washington, D. C.
Aug. 29 filed 240,000 shares of common stock (par $1). **Underwriters**—Van Alstyne, Noel & Co., and Johnston, Lemon & Co. **Offering**—Certain stockholders are selling 140,000 issued and outstanding shares. Company is offering 100,000 shares. Price by amendment. **Proceeds**—From company's 100,000 shares proceeds will be used to reduce outstanding bank loans and commercial paper and for other corporate purposes.

Seaboard & Western Airlines Inc., Wilmington, Del.
Sept. 16 (letter of notification) 100,000 shares ($1 par) common. Offering price, $1 a share. No underwriting. For purchase of surplus aircraft from War Assets Administration by a group of present and prospective veterans, to equip and operate passenger and cargo air service.

● **Shaycraft, Inc., Newton Square, Pa. (10/1)**
Sept. 23 (letter of notification) 6,000 shares of 6% cumulative preferred stock (par $10) and 6,000 shares voting common stock (par $1) to be offered in units of one share of each at $11 per unit. Not underwritten, but will be sold by officers and directors. Proceeds for additional equipment, woolen and cotton yarns and working capital.

Solar Manufacturing Corp.
June 14 filed 80,000 shares of $1.12½ cumulative convertible preferred stock, series A (par $20). **Underwriters**—Van Alstyne, Noel & Co. Price by amendment. **Proceeds**—Net proceeds will be applied for the redemption of outstanding series A convertible preferred stock which are not converted into common stock. Such proceeds also will be used for additional manufacturing facilities in the amount of $600,000; for additional inventory amounting to $400,000, and for additional working capital.

Soss Manufacturing Co., Detroit, Mich.
Sept 3 filed 40,000 shares ($25 par) 5% cumulative convertible preferred. **Underwriter**—Ames, Emerich & Co., Inc., Chicago. **Offering**—To be offered to common stockholders for subscription at $25 a share in the ratio of one preferred share for each five shares of common held unsubscribed shares will be sold to underwriters at same price. **Price** — Public offering price of unsubscribed shares by amendment. **Proceeds**—For expansion of plant facilities and for additional working capital.

● **Southwestern Public Service Co., Dallas, Texas**
Sept. 20 by amendment filed $1,500,000 2⅞% of first mortgage bonds, series due 1971. **Underwriters**—To be supplied by amendment. Probable bidders include Dillon, Read & Co., Inc.; Halsey, Stuart & Co., Inc., and Blyth & Co., Inc. Price by amendment. Originally company filed for $20,000,000 1st mortgage bonds, series due 1976.

Soya Corp. of America
Aug. 28 filed 375,000 shares (par 1c) common stock. Underwriter by amendment. **Proceeds**—To repay RFC loan, to buy Canton Mills, Inc. and for working capital. Price by amendment.

Standard Brands, Inc., New York
Sept. 6 filed 220,000 shares (no par) cumulative preferred stock. **Underwriters**—Dillon, Read & Co. Inc. and Blyth & Co. **Offering** — Offering is subject to an offer of exchange to holders of company's 200,000 outstanding shares of $4.50 cumulative preferred. In the event the public offering price of the new preferred is $100 a share, holders of the old preferred will be granted the opportunity to exchange their stock for new preferred at the rate of 1 1/10th shares of new preferred for each share of old preferred. **Price** — By amendment. **Proceeds** — Company will use net proceeds from any shares sold to the public to redeem all unexchanged shares of old preferred at $110 a share.

● **Starrett Corp., New York**
Sept. 20 filed receipts for deposit of $2,686,000 of 5% secured income bonds, due 1950, $2,686,000 of 4% collateral trust bonds, due 1966, and 107,440 shares ($1 par) common. **Agent**—Guaranty Trust Co. of New York will act as agent to receive deposits of secured income bonds. **Offering**—The registration was filed in connection with the company's April 1, 1946, voluntary plan of exchange of securities. The securities are offered in exchange for the company's 5% secured income bonds, due 1950, at the rate of $1,000 principal amount of receipts for deposit for each $1,000 principal amount of secured income bonds and, after the plan of exchange has been declared effective, of $1,000 principal amount of 4% collateral trust bonds, due 1966, and 40 shares of $1 par common for each $1,000 principal amount of secured income bonds.

If in the judgment of the company's directors, sufficient acceptances are not received by Dec. 31, 1946, or any extended date, the plan will be abandoned. **Business**—The company is solely a holding company owning all of the capital stock of Starrett Brothers and Eken, Inc. engaged exclusively in the construction of buildings.

State Street Exchange, Boston, Mass.
July 1, 1946 filed $1,750,000 second mortgage 4% noncumulative income bonds, due 1961. **Underwriters**—Roger W. Babson, Wellesley Hills, Mass., and Charles F. Ayer. **Offering** — Company will issue $750,000 of the bonds to two banks which hold two first mortgages on all of the company's real estate and the remaining $1,000,000 of the bonds will be offered to the company's stockholders in the ratio of one bond for each unit of 3½ shares of stock held. Unsubscribed shares will be sold to underwriters. Price to stockholders $27.50 a share and price to underwriters $26.50 a share. **Proceeds**—Company will pay $225,000 to the two banks holding its mortgages and the balance will be retained for necessary repairs to its real estate.

Steep Rock Iron Mines Ltd., Ontario
March 27 filed 500,000 shares of capital stock (par $1). **Underwriters**—Otis & Co. **Offering**—Price to public by amendment. **Proceeds**—Net proceeds will be added to the general funds and will be available for general corporate purposes. For details see issue of April 4.

Stern & Stern Textiles, Inc., New York
Aug. 29 filed 191,000 shares of common stock ($1 par). **Underwriter**—Carl M. Loeb, Rhoades & Co. **Offering**—Company is offering 51,000 shares and selling stockholders are disposing of 140,000 issued and outstanding shares. Price by amendment. **Proceeds**—Proceeds from the sale of 51,000 shares by the company will be used to reimburse treasury for funds spent on June 26 to retire 5,000 shares of preferred stock, $100 par. Offering temporarily postponed.

● **Stickley Bros. Corp. Division Institutional Furniture Co., Grand Rapids, Mich.**
Sept. 17 (letter of notification) $200,000 6% debenture notes. Offering price, $1,000 a unit. No underwriting. For general corporate purposes and to increase working capital.

Stix, Baer & Fuller Co., St. Louis
Aug. 28 filed 102,759 shares common stock (par $5). **Underwriter**—Goldman, Sachs & Co. **Offering**—Eight selling stockholders are disposing of 62,000 shares, and the company will offer 40,759 shares initially to its preferred and common stockholders. Price by amendment. **Proceeds**—Net proceeds from the sale of the company's shares will be added to its "building construction and improvement fund." Offering date indefinite.

Street & Smith Publications, Inc.
July 17 filed 197,500 shares of common stock. **Underwriters**—Glore, Forgan & Co. **Offering**—The offering represents a part of the holdings of the present stockholders. Indefinitely postponed.

Sun Electric Corp. of Chicago
Aug. 28 filed 7,000 shares (par $100) 6% preferred stock. Underwriter, none. Stock will be sold by company's officers to employees and business acquaintances. **Proceeds**—For working capital, purchase of machinery and equipment.

● **Sunset Laboratories, Inc., Glendale, Calif.**
Sept. 15 (letter of notification) 69 shares to Edwin J. Shaut and Mary L. Shaut for business and assets, 2,000 shares to the general public, and 2,069 shares to Edwin J. Shaut and Mary L. Shaut as consideration for promotional services. The stock classification was not disclosed. Offering price of public shares, $100 each. No underwriting. Purchase lot, building, equipment and to provide capital.

Swern & Co., Trenton, N. J.
Aug. 28 filed 195,000 shares common stock (par $1). **Underwriter**—C. K. Pistell & Co., Inc. **Offering**—Company is selling 45,000 shares, and eight selling stockholders are disposing of the remaining 150,000 shares. **Price**—$10.50 a share. **Proceeds**—From 45,000 shares sold by company will be applied to working capital initially.

Taylor-Graves, Inc., Saybrook, Conn.
July 12 (letter of notification) 44,300 shares of ($5 par) cumulative convertible preferred stock and 44,300 shares common stock (par 50c). **Offering**—Price $6 a share for preferred and 75 cents a share for common. **Underwriter**—Amos Treat & Co. **Proceeds**—For payment of notes mortgages and for general corporate purposes. Offering temporarily postponed.

Tele-Tone Radio Corp., New York
Aug. 1 filed 210,000 shares of common stock (par 50 cents). **Underwriters**—Hirsch & Co. **Offering**—Company is offering 75,000 of the shares registered. Eleven stockholders are selling 135,000 issued and outstanding shares, for their own account. **Offering**—Price $6.75 a share. **Options**—Selling stockholders are also selling to the underwriters at 7 cents per option warrant options to purchase 18,000 shares of the issued and outstanding common owned by them. They are also selling to Hallgarten & Co., for $1,500, plus $360 as a contribution toward the expenses of issuance, options to purchase an additional 18,000 shares of the issued and outstanding common. **Proceeds**—Net proceeds for the sale of company's 75,000 shares will be used for increasing working capital, with a view to entering the Frequency Modulation and Television fields at an advantageous time. Offering date postponed.

● **Today's Homes, Inc., Washington, D. C.**
Sept. 20 (letter of notification) 20,000 shares ($10 par) 6% convertible preferred. Offering price, $10.50 a share. Underwriting none. For additional working capital.

United States Shoe Corp., Cincinnati, Ohio
Aug. 25 filed 24,000 shares ($4 par) common. **Underwriter**—Benj. D. Bartlett & Co., Cincinnati. **Offering**—Shares will be offered to the public by seven stockholders, who will receive the entire net proceeds. Price by amendment. Offering date indefinite.

Upper Michigan Power & Light Co., Escanaba, Mich.
July 18 (letter of notification) 5,500 shares of 4¼% first preferred stock series B ($50 par). Offering price, $50 a share. **Underwriter**—First of Michigan Corp., Detroit. **Proceeds**—For enlargements and improvements of power plant facilities.

● **Upson Co., Lockport, N. Y. (9/27)**
Sept. 20 (letter of notification) 150 shares of common stock (par $10). **Underwriter** — Hamlin & Lunt, Buffalo. To be offered at market (approximately) $14.50 per share. Proceeds to W. Edward Upson.

Velvet Freeze, Inc.
July 24 filed 203,500 shares of stock which are to be sold for the account of certain stockholders. **Underwriters**—Sherck, Richter & Co., and Straus & Blosser. **Offering**—Of the total, 200,000 shares will be sold through the underwriting group at $8.50 a share, and 3,500 shares will be offered to certain employees at $7.50 a share. Offering postponed indefinitely.

Virginia Dare Stores Corp., N. Y.
July 3 filed 90,000 shares of 5% cumulative convertible preferred stock, ($10 par). **Underwriters**—Newburger & Hano; Kobbe, Gearhart & Co., Inc., and D. Gleich Co. **Offering**—Underwriters propose to offer the shares in part to the public and the balance to certain dealers,

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among whom any underwriter may be included, at the public offering price, less certain concessions. Price $10 per share. **Proceeds**—It is presently anticipated that $437,500 will be used to acquire the capital stock of Williams Stores, Inc., and Levitt Millinery Co. The balance will be applied to general corporate purposes. Issue temporarily postponed.

Webster Electric Co., Racine, Wis.
Sept. 3 filed an unspecified number of shares of common stock (par $1). **Underwriting**—Loewi & Co., Milwaukee. **Offering**—The shares are being sold both by the company and by shareholders. The respective amounts will be supplied by amendment. Price by amendment. **Proceeds**—Company will use about $210,000 of its net proceeds to redeem 645 shares of its prior preference stock at $110 a share and accrued dividends, and 1,386 shares of second preference stock at $100 a share and accrued dividends. The balance will be added to general corporate funds.

Weetamoe Corp., Nashua, N. H.
July 15 filed 200,000 shares ($25 par) $1.20 cumulative pfd. stock, 100,000 shares of ($1 par) convertible stock and 650,000 shares ($1 par) common stock. **Underwriters**—Blair & Co., Inc., Reynolds & Co., New York and Maxwell, Marshall & Co., Los Angeles. **Offering**—The preferred and convertible stocks will be offered in units of one share of preferred and one-half share of convertible. Price by amendment. **Proceeds**—Weetamoe Corp. (Name to be changed to Nashua Manufacturing Co. prior to effective date of registration) was incorporated June 27, 1946 to acquire the operating properties and certain other assets of Nashua Manufacturing Co. which was incorporated in 1823. The new company was organized at the instance of Textron, Inc., and is wholly-owned subsidiary, Textron Mills, Inc., which are promoters of the new company. Net proceeds, together with $2,300,000 representing the proceeds from the sale of 50,000 shares of convertible stock to the underwriters and 525,000 shares of convertible stock to Textron, Inc., at $4 a share, will be used as follows: approximately $13,000,000 for payment of a portion of the purchase price of the assets to be acquired from the old company, about $100,000 for organization expenses, and about $1,100,000 for working capital. Offering temporarily postponed.

Western Crude Oil Co., Venice, Calif.
Sept. 4 (letter of notification) 250,000 shares of common on behalf of the company and 100,000 shares on behalf of Henry L. Rath, President. Offering price, 10 cents a share. Underwriting, the company and officers. For further drilling operations to develop petroleum gas.

Westinghouse Electric Corp.
Aug. 14 filed 1,647,037 shares ($12.50 par) common. **Underwriter**—Kuhn, Loeb & Co. **Offering**—Stock will be offered for subscription to holders of outstanding preferred stock and common stock in ratio of ⅛ share for each share of common or preferred held. Unsubscribed shares will be sold to underwriters. **Price**—By amendment. **Proceeds**—To reduce bank loans. Offering temporarily postponed.

West Ohio Gas Co., Lima, Ohio
Sept. 10 (letter of notification) 48,000 shares ($4 par) common. Offering, to common stockholders for subscription at $4 a share in the ratio of one share for each five shares held. No underwriting. To be added to general funds.

West Virginia Water Service Co.
Aug. 6 filed 46,400 shares (no par) common. **Underwriter**—Shea & Co., Boston. Price, by amendment. **Proceeds**—Shea & Co. is selling 26,400 shares for its own account and the remaining 20,000 shares are being sold by Allen & Co., New York, with Shea as underwriter.

White's Auto Stores, Inc., Wichita Falls, Texas
Aug. 29 filed 75,000 shares $1 cumulative convertible preferred stock ($20 par) and 50,000 shares common stock (par $1). **Underwriters**—First Colony Corp. and Childs, Jeffries & Thorndike, Inc. **Offering**—Company is offering 75,000 shares of preferred; the 50,000 shares of common are outstanding and being sold by four individuals for their own account. Price by amendment. **Proceeds**—Proceeds from the sale of the preferred stock will be used to provide funds for a wholly-owned subsidiary, retire loans from banks and from White's Employees Profit Sharing Trust, and for additional working capital. Offering date indefinite.

Winters & Crampton Corp., Grandville, Mich.
Aug. 28 filed 119,337 shares of common stock (par $1). **Underwriter**—E. H. Rollins & Sons, Inc. **Offering**—Company is initially offering the stock to its common holders at the rate of one share for each two shares held. Price by amendment. **Proceeds**—To retire a conditional sales contract obligation held by the Reconstruction Finance Corp., pay off bank loans of $600,000, and for working capital.

Wisconsin Power & Light Co., Madison, Wis.
May 21 filed 550,000 shares ($10 par) common stock to be sold at competitive bidding. **Underwriters**—By amendment. Probable bidders include Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co.; Glore, Forgan & Co., and Harriman Ripley & Co. (jointly); The Wisconsin Co., and Dillon, Read & Co. **Proceeds**—Part of the shares are to be sold by Middle West Corp., top holding company of the System, and part by preference stockholders of North West Utilities Co., parent of Wisconsin, who elect to sell such shares of Wisconsin common which will be distributed to them upon the dissolution of North West Utilities Co.

Yolande Corp., New York
Sept. 17 filed 50,000 shares ($1 par) common stock. **Underwriters**—Headed by E. F. Gillespie & Co., and includes Childs, Jeffries & Thorndike, Inc., New York; Courts & Co., Atlanta; Irving Rice & Co., St. Paul, and Maxwell, Marshall & Co., Los Angeles and New York. **Price**—$10 a share. **Proceeds**—Estimated net proceeds of $400,000, together with $87,125 from the sale of 10,250 additional common shares to J. William Anchell, Vice-President, at $8.50 a share, will be used partly for the purchase of 10,995 shares of capital stock of Island Needlework, Inc., of Puerto Rico, out of a total of 11,000 outstanding shares. The shares will be purchased for a total price of $220,522 from Mrs. Gertrude S. Korsh, sister of Herbert L. Miskend, President and Treasurer of Yolande Corp. Of the remaining proceeds, $68,750, plus dividends, will be used to redeem at $110 a share the company's 625 shares of $100 par 6% cumulative preferred stock. The balance will be used to reimburse the company's treasury for previous expenditure and for additional working capital.

Prospective Security Offerings

(NOT YET IN REGISTRATION)

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

[EDITOR'S NOTE—The strike of truckmen in New York City, having cut off delivery of newsprint to us, we have been obliged to effect certain economies in today's issue in order to conserve stock on hand. Accordingly, we are limiting our coverage of "prospective" financing in this issue to only those undertakings which have come to hand during the past week, thus omitting the items of this nature which were reported in previous issues. We regret the necessity for this action and will resume the usual complete tabulation as early as circumstances permit.]

● Baltimore & Ohio RR.
Sept. 18 reported company plans to issue $7,500,000 equipment trust certificates about November 1. Probable bidders included Halsey, Stuart & Co., Inc.; Salomon Bros. & Hutzler and New York and Philadelphia banks.

● Carey (Philip) Manufacturing Co.
Sept. 23, Robert S. King, President, stated that it is probable company in the near future will require some financing to meet the cost of an expansion and improvement program.

● Central Illinois Electric & Gas Co.
Oct. 4 stockholders will vote on increasing authorized common from 400,000 share to 550,000 shares (par $15). It is contemplated to give the stockholders rights to subscribe to the additional stock when issued.

● Chicago Indianapolis & Louisville Ry. (10/7)
Company is asking for bids to be opened 12 noon CST Oct. 7 for $3,854,625 conditional sales agreements to finance 75% of the purchase price of new equipment estimated to cost $5,139,500.

● Duluth, Missabe & Iron Range Ry.
Sept. 24 company, a subsidiary of the United States Steel Corp., asked the ICC for authority to issue $19,200,000 of first mortgage serial bonds in connection with the retirement on Nov. 1 of $19,800,000 first mortgage 3½s of 1962. Bonds will be sold through competitive bidding. Probable bidders include Morgan, Stanley & Co. and Halsey Stuart & Co., Inc.

● El Paso Electric Co.
Sept. 23 company requested the SEC authority to issue and sell under competitive bidding $6,000,000 of new bonds. Proceeds, together with Treasury funds, would be used to redeem $6,500,000 series A bonds at 108 and interest. Probable bidders include Stone & Webster Securities Corp., and Halsey, Stuart & Co., Inc.

● Marion Power Shovel Co.
Nov. 7 stockholders will vote on authorizing an issue of 15,000 shares of 4½% prior preferred stock ($100 par) value. If approved, it is expected that an offer will be made to preferred stockholders to exchange their stock, share for share, for the new preferred, plus not less than six nor more than eight shares of common as may be determined by directors.

● Midland Oil Corp.
Sept. 21 reported that public offering of 86,750 common shares at $3.25 a share, expected at early date through Gearhart & Co., Inc.

● Neptune Meter Co.
Sept. 16 stockholders voted to change the 250,000 shares common (no par) to 250,000 shares common (par $5) and to increase the authorized amount to 350,000 shares. It is proposed to offer for sale 67,454 common shares and 9,723 unissued $2.40 dividend preferred stock to provide additional capital funds. Probable underwriter, Riter & Co.

● Pharis Tire & Rubber Co.
Sept. 16 stockholders voted to split common stock two for one and authorized 100,000 shares ($20 par) preferred stock. Probable underwriters Van Alstyne, Noel & Co. and G. L. Ohrstrom & Co.

● Pittsburgh Bessemer & Lake Erie RR.
Nov. 14 stockholders will vote on authorizing an increase in indebtedness by $12,000,000 to provide funds for payment or to reimburse company for payment of existing indebtedness. Company has outstanding $10,000,000 5s which mature Jan. 1, 1947. Probable bidders included Kuhn, Loeb & Co. and Halsey, Stuart & Co., Inc.

● Potomac Electric Power Co.
Sept. 21 company proposes to issue 225,000 shares of 3.60% cumulative preferred stock (par $50) under amended recapitalization plan. Of this amount 85,000 shares are to be exchanged on basis of one preferred share and 3½ common shares for each Washington Ry. & Electric 5% preferred share; proceeds from sale of remaining shares would be used to redeem 6% and 5½% preferred stocks. Probable bidders include Alex. Brown & Son and Kidder, Peabody & Co.

● Public Service Co. of New Mexico
Sept 18 expected that Cities Service Co. will sell at later date shares of this company received through merger of Federal Light & Traction Co. Probable bidders include E. H. Rollins & Sons; Rauscher, Pierce & Co., Inc. Blyth & Co., Inc.; The First Boston Corp.; Otis & Co., and Harriman Ripley & Co.

● St. Louis-San Francisco Ry. (9/30)
Company will receive bids until Sept. 30 for the purchase of $5,500,000 equipment trust certificates, to be dated Oct. 1, 1946, due serially 1947-56. Probable bidders include Halsey, Stuart & Co., Inc.; Salomon Bros. & Hutzler, Stroud & Co. (Jointly).

Wheeling & Lake Erie Ry. (10/1)
Company is inviting bids for $1,720,000 of equipment trust certificates dated Oct. 1, 1946, and maturing from April 1, 1947, to Oct. 1, 1956. Bids must be received before 12 noon E.S.T. Oct. 1. The company stipulated that bidders must name a price of at least 99. Probable bidders include Halsey Stuart & Co., Inc.; Salomon Bros. and Hutzler and Stroud & Co. (Jointly); Harris, Hall & Co., Inc.

Our Reporter's Report

By contrast with the hectic rush of new equities which marked the spring and early summer in the new issue market, these are dull days in the underwriting business. Bankers and dealers, for most part, however, are still finding plenty to do in the job of marketing the substantial remnants left over from some of their earlier deals.

Insofar as new undertakings are concerned, it is quite generally recognized that any resumption of such activity must await straightening out of current disturbances in the seasoned market.

Referring specifically to the outlook for such financing, one investment banker declared "new stock issues are out for the time being. There is no power of absorption at the moment," he said, adding "liquidation is still on and people are interested in selling rather than buying."

He made it a point to differentiate in the case of corporate obligations, expressing the firm conviction that in the case of bonds, or debentures, or other evidences of debt, a ready market could be found provided the intrinsic value was there and the pricing was right.

Convinced, however, that what we have been witnessing is a fundamental adjustment in market conditions, this banker contended that whether projected new financing involved bonds or stock, the key to successful flotation would be found in a realistic approach to changed conditions.

Should Put On "Long Pants"

An avid student of world financial affairs, this particular investment authority expressed the conviction that our financial interests should acknowledge the fact that our market has become a world exchange not just an American market.

He is convinced that much of the recent selling in American securities was of foreign origin and not influenced by any fears of another war. On the contrary, he suggested French, Dutch and British interests, who had built up large investments here during the war period, and were in a position to realize handsome profits, had withdrawn funds heavily for use in reconstruction elsewhere in the world.

Putting it tersely he asserted that "we should admit our growth to world proportions economically and put on long pants as financiers."

A Fortnight Hence

A week from next Tuesday, unless conditions dictate delay such as developed in several other instances, Pacific Telephone & Telegraph Co., subsidiary of American Telephone & Telegraph Co., is slated to sell, in competitive bidding $75,000,000 of new debentures.

That project promises to provide the first real test of the market for corporate obligations since the period of heavy liquidation marketwise has subsided. Consumers Power Co. was expected to give the new issue market its trial spin this week, but because of conditions, it was decided at the last minute to delay that company's projected sale of sufficient new common stock to raise $20,000,000.

So a little over a week hence Pacific Telephone's new 40-year issue, on which bidders will name the coupon rate as well as the price, should provide a fairly substantial idea of how bankers and investors are thinking.

Cincinnati Gas & Electric

Winding up of the syndicate which handled the marketing of the unsubscribed portion of Cincinnati Gas & Electric common stock, sold by Columbia Gas & Electric Corp., was hardly a surprising development.

That issue reached market at a most inopportune time when heavy liquidation was in order and only the group bid was holding the stock at the offering price of 26 on the New York Stock Exchange.

With more than half the total issue sold, there appeared to be severe pressure, which, since the syndicate was still holding a substantial portion of the total, must have originated with nervous subscribers.

The stock had a quick rundown of around 4 points when the "plug" was pulled, but it has since scored partial recovery.

Nelson Douglass and First California Merge

SAN FRANCISCO, CALIF.—Earl Lee Kelly, Chairman of the Board of First California Company has announced that H. T. Birr, Jr., Executive Vice-President of First California Company and Nelson Douglass, Jr., President of Nelson Douglass & Co. of Southern California after months of negotiation have completed the merger of the Los Angeles investment banking firm into the First California Company which merger will result in one of the largest retail distributing organizations in Southern California.

Nelson Douglass & Co. will maintain its offices at the present location.

"Nelson Douglass & Co. is an old, established firm," said Mr. Kelly, "with a sales organization of 70 men in Southern California, and the combined operation will make the First California Company the largest retail sales organization in the Western investment field. The entire personnel of the Nelson Douglass Company is coming to the First California Company and will comprise 150 employees.

"The acquisition of the Nelson Douglass organization is one of our most important steps in preparation for the tremendous development which we expect in California. The addition of the Nelson Douglass organization will enable the First California Company to keep pace with our rapidly-expanding California population, which I believe will reach the 25,000,000 mark within the next 15 years."

F. C. Coltrin, Vice-President, will remain in charge of Southern California operations, it was announced by George H. Grant, President of First California Company.

John F. Egan, now Assistant Vice-President of First California Company will become Vice-President. Nelson Douglass, Jr. and J. D. Middleton will become Vice-Presidents. Russell E. Evans will be Vice-President in charge of Southern California Division Offices. Charles F. Sill will be Vice-President and Los Angeles Division Manager. O. I. Lamoreaux will be Assistant Comptroller and Office Manager of Southern California operations. Sidney R. Searl, J. Brandon Bruner and F. Stuart Roussel were also named Vice-Presidents. James Perry of Santa Ana District Office for First California Company has been elected Assistant Vice-President.

F. C. Coltrin, John F. Egan, Nelson Douglass, Jr., J. D. Middleton, Russell E. Evans and Charles F. Sill will be members of the Southern California Executive Committee.

New Monetary Unit for Germany Urged By U. S.

(Continued from first page)

American recognition of the pressing need for action. The British are opposed to the American plan which is understood to involve conversion of Reichsmarks into a new currency unit on a basis involving drastic shrinkage of the monetary stock, the mortgaging of all property to the State, and a capital levy. In lieu of the American proposals the British have suggested that prices be permitted to rise substantially, thus avoiding administrative difficulties. It is understood, however, that the British are amending their original ideas somewhat to meet the American plan in compromise.

Regarding the Russian and French ideas on the subject of monetary administration: they can only be surmised from comment in the German press which is controlled by them. The Russian press strongly jibed at Secretary Byrnes for the reference he made at Stuttgart to the pressing need for an anti-inflationary plan, by declaring that they have no such urgent need in their zone, where all deposits were effectively cancelled. Even some Americans think we also should have done that on entering Germany.

Since the French reportedly are blocking quadri-partite progress consistently, the comment on the American plan which appears in the French-licensed "Badener Tageblatt" is illuminating and interesting. It holds that the present situation does not require measures designed to terminate gigantic inflation like that of 1923.

Robt. Morris Assoc. Meet

Walter L. Rehfeld, Vice-President of the Mercantile-Commerce Bank and Trust Company, St. Louis, has been elected Second Vice-President of The Robert Morris Associates, a national organization of bank loan officers. The organization will hold its annual conference in Swampscott, Mass., Sept. 30, Oct. 1 and 2.

Scovill Common Stock Is Offered

Common shares of the Scovill Manufacturing Co., unsubscribed for by stockholders, were publicly offered Sept. 23 as a secondary distribution after the close of the market by an underwriting group headed by Morgan Stanley & Co.

The distribution was made at a price of $30 a share, with a dealer's discount of 75c a share. The number of shares offered was 85,512. The issue has been oversubscribed.

Stockholders of Scovill Manufacturing had subscribed for 64,036 of the 149,548 common shares offered to them at $30 a share under rights which expired Sept. 20.

Watts With Estabrook

BOSTON, MASS.—William W. Watts has become connected with Estabrook & Co., 15 State Street, members of the New York and Boston Stock Exchanges.

Two With Mathews Co.

BOSTON, MASS.—David A. Somers and John J. Waters have been added to the staff of Edward E. Mathews Co., 53 State Street.

New York Stock Exchange Wants to Encourage Listing of Foreign Securities on Its Big Board

Anticipating restoration of relatively free markets in world through reciprocal trade and monetary agreements, New York Stock Exchange is developing a program to help American investors to take advantage of commercial opportunities wherever they may open up on surface of globe. In general, Exchange's plan is to encourage listing on Big Board of securities of leading companies of all countries of world, particularly nations of South America, Africa and South Pacific Zone. It is certain Exchange will need cooperation of Securities and Exchange Commission, State Department and Treasury Department in this country and corresponding governmental bodies and stock exchanges in other countries if its program is to be put into effect.

Anticipating the restoration of relatively free markets in the world through reciprocal trade and monetary agreements, the New York Stock Exchange is developing a program to help American investors take advantage of commercial opportunities wherever they may open up on the surface of the globe.

The Exchange's Department of Stock List is now ironing out certain technical details of the plan preparatory to putting the proposition up to the Board of Governors for further consideration and action and, though some very solid beginnings have already been made and further developments are likely soon, no one at the Exchange believes that the idea can be fully carried out for some time yet.

Some very formidable obstacles stand in the way of putting the program into full effect but, first of all, the Exchange feels the international political and economic situation will have to settle down to something like normal. Peace is absolutely essential for what the Exchange has in mind.

In general, the Exchange's plan is to encourage the listing on the Big Board of the securities of the leading companies of all the countries of the world, particularly the nations of South America, Africa and the South Pacific Zone, and otherwise to make it easy for Americans to invest their capital anywhere. In a sense, the proposal reflects the growing importance of the New York money market in the world and is a recognition of the fact that to maintain this position the United States can not remain aloof from world-wide economic problems.

The Exchange is frank to admit that at the moment about all it can do toward the ultimate realization of its objective is to consider a possible revision of its own rules pertaining to foreign listings and to discuss the question with others who might conceivably have an interest in the proposition or whose aid would be indispensable or invaluable to its successful operation, such as investment bankers, officers of trust companies and commercial banks, governmental agencies, lawyers and accountants both here and abroad who have been or may be concerned in foreign financing and international securities transactions.

Laws, governmental regulations and corporate practices vary considerably in the different countries of the world and it is the Exchange's hope that these differences which could be a serious block to the listing of foreign securities here may be reduced to an irreducible and practical minimum and bridge by modern techniques. To facilitate standardization in the requirements considered desirable for listing, the Exchange believes also that certain revisions in the Securities Act of 1933 are necessary. The Exchange takes the view that broad disclosure of corporate earnings and activities is desirable but that some of the provisions of the Securities Act of 1933 by requiring what it feels are excessively detailed information about the companies concerned operate to restrict listings unnecessarily. On the other hand, it thinks that the financial statements of many foreign firms are altogether too inadequate.

Reciprocal tax treaties between the United States and other nations, along the lines recently agreed upon with the United Kingdom, are also necessary, as otherwise investors would be exposed to double taxation which in the case of persons in the higher income brackets could wipe out earnings entirely. As the arrangement works where it has already been applied, only a 15% tax is levied in the country where dividends and other earnings originate and this amount is deductible from the tax which the investor must pay in his own country.

It is clear that the Exchange will need the cooperation of the Securities and Exchange Commission, the State Department and the Treasury Department in this country and corresponding governmental bodies and the stock exchange in the other countries if its program is to be put into effect.

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Detzer With Bell, Farrell

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, WIS.—Harold E. Detzer has become associated with Bell, Farrell & Stebbins, of Madison, Wis. Mr. Detzer was previously with Seligmann & Co.